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STARTUP ACTIVITIES OF  
ESTABLISHED FINNISH COMPANIES

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## ABSTRACT

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Established companies have collaborated with startups for decades in order to enhance their capabilities in technology and innovation. However, in the recent years, the changes in the business environment have induced established companies to increase their collaboration with startups. Thus, startup activities of established companies have become a timely phenomenon. This study explores the *startup activities* of established companies by analyzing all the activity established companies conduct in collaboration with startups, related to startups and as startups. The aims of this study are to explore how, why and how extensively established companies engage in their startup activities.

The theoretical background of this study is based on the previous discussions of *corporate entrepreneurship*. Corporate entrepreneurship describes various entrepreneurial phenomena appearing in corporations. It includes corporate venturing and strategic endeavors of entrepreneurial actions. The concept is broad and ambiguous, but scholars value its heterogeneity. A theoretical framework of the purposes and forms of corporate entrepreneurship is presented. The empirical research is based on a qualitative study. Eleven Finnish companies from varied industries provide the empirical research subject. The data is collected by semi-structured interviews, observation in events and by using secondary data sources, such as non-academic reports and company communications. The analysis method is content analysis.

The findings suggest that the reasons to engage in startup activity vary from strict business goals to reputational and social purposes. Based on the empirical materials, established companies can be categorized into four categories in terms of their engagement in startup activities. The categories are: no startup activity, opportunists, special know-how exploiters and strategic exploiters. The main empirical findings also include the favorable aspects towards startup activity: keeping up with the changes of the business environment, developing the business, developing the organization, reputational advantages, and social responsibility, as well as the negative aspects: encountering and finding the startups, risky partners, financial matters, the effect of industry, cultural challenges, and the impact of management guidelines.

In conclusion, the study suggests that startup activities of established companies are one manifestation form of corporate entrepreneurship. Thus, corporate entrepreneurship can be conducted through startup activities. The studied companies mostly associate their activities to practical matters. They conceive different features of types of corporate entrepreneurship, but they do not plan their startup activities in the way the theory defines.

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# 1 INTRODUCTION

## 1.1 Established companies are searching for speed and innovativeness to their operations

*"In the new world, it is not the big fish which eats the small fish, it's the fast fish which eats the slow fish"*, states Klaus Schwab (2016), the founder and executive chairman of World Economic Forum. Global competition, the effects of digitalization and the disruptions of traditional industries urge established companies to develop fast and to renew themselves. Industries and operational environments are changing for example due to the accelerating technological changes, ongoing and extending globalization, urbanization, and the aging world. These cause pressure for established companies to renew their businesses and speed up their interest towards innovative and entrepreneurial solutions. (Dobbs, Manyika & Woetzel, 2015; Helsinki Chamber of Commerce, 2016; KPMG, 2015; Pietarila, 2015.) Thus, established companies need to master innovativeness and regeneration in order to keep up with the changes of their business environment.

According to the credit-rating agency Standard & Poor's, the average life cycle of companies has shortened by 43 years since 1958, from the average lifetime of 61 years to the current lifetime of 18 years (Hoberman in Nesta, 2015, 4). Mutually, the time needed for building and growing an established company has shortened significantly. For instance, the valuation of Uber grew to 40 billion USD during 2009–2014, while the valuation of Facebook reached only 15 billion USD during its first years, 2004–2009. (Bonzom & Netessine, 2016, 11.) The shortened life cycles and timespans for building established companies cause pressure for renewal, which in turn affects the research, development and innovation practices of established companies. Many companies comprehend that not all of the most clever and useful ideas are produced inside their own organization. (Chesbrough, 2005, 2; Confederation of Finnish Industries & Tekes, 2014, 8; Hoberman, Mocker, Bielli & Haley, 2015, 4; Paavola, 2016; Peltonen, 2016.) As Bonzom and Netessine (2016, 11) formulate it: *"If you don't create the things that will kill your company, someone else will"*.

### **1.1.1 Startups can provide established companies with innovativeness and regeneration**

Startups can provide many advantages that established companies are craving for. For example, startups can teach corporations new concepts and techniques, which help them to survive in the changes of their business environment. (KPMG, 2014.) According to Bonzom and Netessine (2016, 11–14), corporations have three main reasons to co-operate with startups: the need to change, win-win outcomes and clear short-term or long-term value drivers. Also the need for fast development causes pressure for established companies to co-operate with startups. (Helsinki Chamber of Commerce, 2016; KPMG, 2015; Pietarila, 2015.)

In many industries, the disruptive innovations start off in a bottom-up direction from startups, especially regarding technology and digitalization. For that reason it is relevant for established companies to collaborate with startups and keep up with the developments of the industry. (Kohler, 2016; Mocker et al., 2015, 6–7; Weiblen & Chesbrough, 2015.) Examples of such disruptive, digital innovations with a startup origin are the nowadays worldwide taxi service application company Uber and Facebook, the company which first revolutionized and since then has had a tight grip on the social media (Boyd, 2015; Christensen, Raynor & McDonald, 2015). Thus, open innovation, digitalization and new technologies are common reasons for established companies to start engaging in startup activities (Mocker et al., 2015, 8).

Even though startup collaboration is distinctive to technology intensive industries and digital businesses, companies in any industry can benefit from co-operating with startups. Startups provide technological and digital solutions that can be applied to any industry. Moreover, there are startups operating in most industries. (Bonzom & Netessine, 2016, 6; Koskinen, 2015; Mocker et al., 2015, 17). The need for regeneration and innovativeness applies to any industry, since digital disruption affects basically every industry, according to the top tier consulting company Bain & Company (2015). For instance, an established consumer goods company Diageo uses startups in their accelerator program in order to generate new spirit brands, even though the company is not connected to technology at all. (Bonzom & Netessine, 2016, 8).

In addition to innovations and new technologies, with the help of startup activities established companies seek rapidity to their modus operandi and a cultural change. Also experts, potential employees, new businesses and new markets are pursued through startup activities.

(Confederation of Finnish Industries & Tekes, 2014, 8; Helsinki Chamber of Commerce, 2016; KPMG, 2015; Mocker et al., 2015, 17). Seeking growth is therefore a common reason for startup collaboration, since established companies can have difficulties in organic growth (Yoon & Hughes, 2016).

There are many international examples of companies that believe and invest in startup activities. Companies such as Accenture, BBVA, BMW, Booz Allen, Coca-Cola, Cisco, Dell, Deutsche Telekom, Ericsson, GE, Google, Huawei, Kaplan, KLM, KPMG, Lloyds of London, MasterCard, MedStar, Microsoft, Nike, Pearson, PwC, Saint-Gobain, Siemens, Sprint, Telefonica, Unilever and WalMart are single examples of established companies from varied industries that value the advantages of startup activities and consider them to be a relevant part of their business and innovation activities (Burfield, 2014; Confederation of Finnish Industries & Tekes, 2014, 5–7; Mocker et al., 2015, 8–17; Paavola, 2016; Scheuble, 2016; Wallis, 2016). Nine out of ten companies which invest the most in R&D worldwide also cooperate with startups (Bonzom & Netessine, 2016, 8).

According to Yoon and Hughes (2016), both established companies and startups would be more successful if they, instead of competing against each other, collaborated with each other: the startups as developers of novel ideas and the established companies scaling and commercializing the ideas. The *raison d'être* and the root cause for corporate-startup activities is *asymmetry*: the complementing effect of two different kinds of organizations with different resources and capabilities (Alvarez & Barney, 2001; Minshall, Stelios & Probert, 2008; Vapola, 2011; Vapola, Tossavainen & Gabrielsson, 2008). Furthermore, according to the global innovation barometer research of GE, 85% of companies believe that the collaboration conducted with startups and entrepreneurs is the key for their future success. 47% of the respondents of the same barometer considered such collaboration to be an already established phenomenon and future reality. (GE, 2014, 51; 10.) According to the KPMG (2014) report, 88% of corporations find startup collaboration necessary for their innovative capabilities and 71% of startups find corporate collaboration necessary for their success. Thus, there is plenty of empirical evidence of the phenomenon and its significance.



### **1.1.2 Timely phenomenon both internationally and nationally**

The topic of corporations utilizing startups is very current both internationally and nationally. In the international context, organizations such as INSEAD Business School (2016), consulting company KPMG (2014; 2015) and innovation charity organization Nesta (2015) have published reports about corporate-startup collaboration in the recent years. Furthermore, the theme is discussed for example in the Global Innovation Barometer of GE (2014) and in Harvard Business Review (Kirsner, 2016; Yoon & Hughes, 2016).

The topic is also relevant in Finland: The Confederation of Finnish Industries and Tekes (2014) have both published on the issue. The topic has also been widely discussed in the business news coverage, for example in Kauppalehti (Eljala & Kesä, 2015; Haapavaara, 2015; Kesä, 2015; Koskinen, 2015; Leskinen, 2016; Penttinen, 2015), and in business events held by the startup events Slush and Arctic15 (Confederation of Finnish Industries, 2015; Slush; Tekes, 2014), Helsinki Chamber of Commerce (2016), and consulting company PwC (2016).

Regardless of the topicality of the phenomenon, collaboration between established companies and startups is no novel occurrence. It has been conducted and documented at least since the 1980s (Doz, 1988). However, as the previous examples show, the topic has recently gained a great deal of attention and thus been raised to public discussion in a new way. Also companies themselves have begun to highlight their startup related activities in their corporate communications (Elisa, 2014; Fonecta, 2014; Fortum, 2016; Kone, 2015; Lassila & Tikanoja, 2015; Nokia, 2015; S-Ryhmä, 2015; Tieto, 2014; UPM, 2015).

Owing to practitioners, it is essential to explore this timely phenomenon also conceptually: how and why established companies engage in startup activities; is it about occasional pilots, positive corporate communications, a passing craze or sincere, long-term development and co-operation activity? Beyond the scholarly knowledge development, by researching established companies' engagement in startup activities, other companies may learn about startup activities and their benefits and challenges.

I conduct this study only from the perspective of established companies, since I want to achieve a holistic understanding specifically of the engagement of established companies. The phenomenon may be very different from the perspective of other parties involved in the

process. Established companies are the party with the most pressures of renewal. Startups are completely different kinds of organizations and hence have completely different pressures and motives in their business (Alvarez & Barney, 2001; KPMG, 2014; Minshall et al., 2008; Vapola, 2011; Vapola et al., 2008). Thus, within the limitations of the study, I find it more relevant to focus on established companies only. Furthermore, the holistic understanding of the engagement of established companies is relevant and valuable for the other parties too. Startups may learn to better understand established companies as their collaboration partners and the decisions they make regarding their startup activities.

### 1.1.3 Startups and startup activities

There are only a few attempts to define the concept or the term *startup* in the academic literature. Salminen (2014, 19) has defined startup as “*an early stage business organization*” which has existed a maximum of five years. Vapola (2011, 40) defines startups as “*international new ventures*” after the definition of Oviatt and McDougall (1994, 49): “*we define an international new venture as a business organization that from inception seeks to derive significant competitive advantage from the resources and the sale of output in multiple countries*”. Minshall, Mortara, Valli and Probert (2010), Minshall et al. (2008) and Shan, Walker and Kogut (1994) use the term startup in their academic articles, but they do not define it or clarify which kinds of companies they refer to. However, the term is in frequent use in the world of practitioners and represents the phenomenon better than the academic equivalents of *entrepreneurial company* (Alvarez & Barney, 2001), *young innovative company* (Schneider & Veugelers, 2010), *high-growth SME* (Smallbone, Leigh & North, 1995), *born global* (Vapola et al., 2008), or *small company* (Doz, 1988), which are more or less accurately used to describe different kinds of startup companies.

There are also non-academic definitions of the term startup. According to Blank and Dorf (2012), startup is a temporary independent organization or a temporary distinct organization inside another organization, which is created in order to develop a repeatable and scalable business model. Blank and Dorf (2012) understand the scalable business model as a way of producing value and profit. Their definition has been applied in academic publications too (Kohler, 2016). According to the definition of Ries (2011, 18–19), a startup is an expansionary company operating in an economically uncertain environment. According to the definition of Graham (2012), the only factor distinguishing startups from other alike

companies is growth. Thus, Graham (2012) finds startups as companies which are designed for growth and therefore all other specific characteristics of startups are related to fast growth. In conclusion, a summarizing definition of a startup can be compiled from the descriptions of Blank and Dorf (2012), Ries (2011) and Graham (2012): *startup is a temporary and expansionary organization, which does not possess a ready business model and therefore it is searching for one.*

In public discussion the term startup is used very broadly to describe different types of small, young and innovative companies (Ministry of Economic Affairs and Employment, 2013). Thus, also in this study the term is used in its wide, empirical, practitioner sense and it refers to all kinds of small and young companies. With the term *startup activity* I mean *all activity that established companies conduct in collaboration with startups, related to startups and as startups*. Whereas the terms *startup collaboration* or *startup co-operation* only refer to a certain kind of external startup activity, the term startup activity differs from these by also including other forms of startup activity, for example acquisitions, internal startups and screening of startups.

## **1.2 Theory of startup activities: corporate entrepreneurship**

*Corporate entrepreneurship* is a broadly researched topic and it has been in the interest of scholars since the 1980s (Covin & Miles, 1999; Miller, 1983; Morris & Paul, 1987; Schollhammer, 1982). The concept itself is very broad, which has complicated the development of the terminology and theory (Ireland, Covin & Kuratko, 2009; Sharma & Chrisman, 1999). It is suggested that the field of corporate entrepreneurship is widening, since companies which have not earlier demonstrated entrepreneurial characteristics are also beginning to be interested in entrepreneurial activities due to changes in the business environment (Phan et al., 2009).

However, although the heterogeneity of the topic is causing challenges for the research and theory development, the variety is also appreciated and previous studies suggest further research on the heterogeneity of corporate entrepreneurship (Phan et al., 2009). According to the previous literature, it would also be relevant to explore and document the different ways of how established corporations conduct entrepreneurial activities (Dess, Ireland, Zahra,

Floyd, Janney & Lane, 2003). I respond to these suggestions by studying how corporate entrepreneurship and the startup activities of established companies are related to each other and by empirically documenting and analyzing a way of conducting entrepreneurial activities. In addition, since entrepreneurship is a very timely phenomenon especially in Finland (Finnish Government, 2016), it makes the earlier theoretical studies on entrepreneurial activities relevant.

Corporate entrepreneurship research has not focused on startups or startup activities and therefore my study explores the heterogeneity of corporate entrepreneurship. Kohler (2016) discusses *corporate-startup engagement spectrum* and Weiblen and Chesbrough (2015) discuss *engaging with startups* in a very similar way as I understand startup activities. However, the spectrum of Kohler (2016) is not as wide as my understanding of startup activities, since his focus is in corporate accelerators. My theoretical contribution is therefore to explore the concept of corporate entrepreneurship in the context of startup engagement. Since my research emphasizes empirical relevancy, it is justified to study the concept of corporate entrepreneurship from an empirical perspective, in other words from the perspective of the phenomenon of startup activities. The phenomenon is currently common among established companies. However, literature lacks the acquaintance of the significance and essence of startup activity as an entirety for established companies. Hence the research is falling behind from the practical business life.

In this study I do not cover previous literature on what makes a company entrepreneurial and which are the dimensions of entrepreneurial companies (Covin & Miles, 1999). I also do not take a stand on entrepreneurship or entrepreneurs (Stevenson & Jarillo, 1990). I also delimit the direction which explores the individual level of corporate entrepreneurship, for example directors (Holcomb, Ireland, Holmes Jr. & Hitt, 2009), since I am interested in the organization and company level. Moreover, I leave out previous literature on innovation and open innovation (Chesbrough, 2006), since the focus of my study is not merely on innovation and since open innovation is a separate, extensive theoretical discussion.

### **1.3 Research objectives and questions**

In this study, I analyze startup activities of established companies from the perspective of the

established companies. I outline this research based on the phenomenon and do not focus on any specific industry or case company.

The research objective of the study is the following:

*The purpose of this study is to describe and analyze corporate entrepreneurship in the form of startup activity.*

I explore the phenomenon with the help of the following research questions:

- (1) How do established companies engage in startup activities?*
- (2) Why or why not do established companies engage in startup activities?*
- (3) How extensively do established companies engage in startup activities?*

## **1.4 Structure of the study**

In chapter 1 I introduce the empirical and theoretical background of my study, the research objective and research questions, and lastly how this research report is organized. In chapter 2 I present the concept of *corporate entrepreneurship* as the theoretical background of the research. The second chapter concludes with the theoretical framework of the forms and purposes of corporate entrepreneurship engagement.

In chapter 3 I present the research subject, that is the companies and interviewees involved in this study. I also broadly report the methodological choices I have made during the research process and present how I have collected the research material and conducted the analysis. Moreover, I discuss the trustworthiness of the research.

In chapter 4 I report my empirical findings. Firstly, I describe how established companies engage in startup activities. Secondly, I present both favorable aspects, for example the reasons for startup activity, and negative aspects, for example challenges which established companies experience in their startup activity. Lastly, I suggest a categorization of established companies engaging in startup activities.

In chapter 5 I present the conclusions, theoretical and empirical reflection and managerial implications of this study. I also take the limitations of the study into consideration. In addition, I suggest further research topics on the ground of my findings and conclusions.

## 2 CORPORATE ENTREPRENEURSHIP

In this chapter I present the theoretical background of the concept *corporate entrepreneurship*, which is the theoretical background of this study. The concept refers to entrepreneurial phenomena and activities in established companies. The concept has been broadly studied since the 1980s and the interest of scholars has remained until recent years. (Kohler, 2016; Morris, Kuratko & Covin, 2008; Phan et al., 2009.)

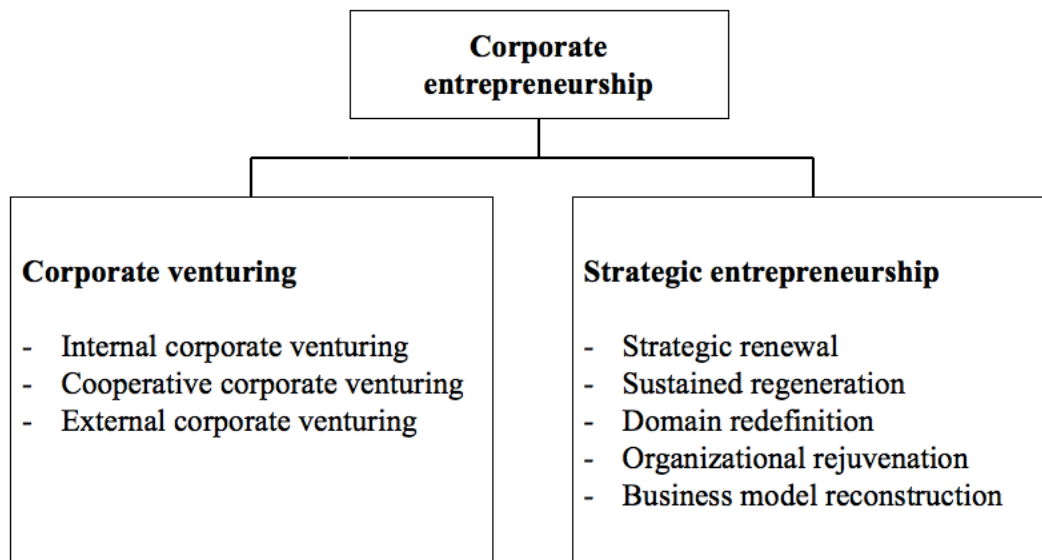
The concept of corporate entrepreneurship originates from the combination of entrepreneurship and strategic management theory (Kuratko & Audretsch, 2009, 1). Both scholars and practitioners began to find the entrepreneurial characteristics, growth, innovation and flexibility, as something that is relevant and interesting also for established companies (Stevenson & Jarillo, 1990, 17). Organizational transformation and strategic renewal have therefore attracted both scholars and practitioners, which has aroused interest in the concept of corporate entrepreneurship (Guth & Ginsberg, 1990). The phenomenon of corporate entrepreneurship is said to be an “*inevitable byproduct of organizational activity*”, and when understood in this sense, there has been corporate entrepreneurship as long as corporations have existed in the world of business (Covin & Kuratko, 2010, 207).

In this chapter I firstly present the concept of corporate entrepreneurship and its key themes. Secondly, I describe the two sub-concepts of corporate entrepreneurship: corporate venturing and strategic entrepreneurship. I also review how startups are covered in the previous literature of corporate entrepreneurship. Lastly, I present the theoretical framework of the study. The theoretical framework summarizes the forms and purposes of corporate entrepreneurship that are found in the literature presented in this chapter.

### 2.1 Ambiguous concepts of entrepreneurial phenomena

*Corporate entrepreneurship* refers to entrepreneurial, renewal and innovation related activities and phenomena inside established organizations (Covin & Kuratko, 2010, 207). It is a bipartite concept describing the process of organizational renewal and emergence of new businesses inside organizations. It consists of two sub-concepts, *corporate venturing* and

*strategic entrepreneurship*. The sub-concepts are different, but still connected and complementary. (Guth & Ginsberg, 1990; Morris et al., 2008, 8; Phan et al., 2009.) Corporate venturing describes “*the birth of new businesses inside organizations*” and strategic entrepreneurship “*the transformation of organizations through renewal of the key ideas on which they are built*”. The concept of corporate entrepreneurship describes not only the content of these two phenomena but also the processes related to them. (Guth & Ginsberg, 1990, 5.) The recent concept of corporate entrepreneurship and its duality by Morris et al. (2008, 81) is illustrated in Figure 1, and the earlier description of corporate entrepreneurship by Guth and Ginsberg (1990, 7) in Figure 2.



*Figure 1 Corporate entrepreneurship according to Morris et al. (2008, 81)*



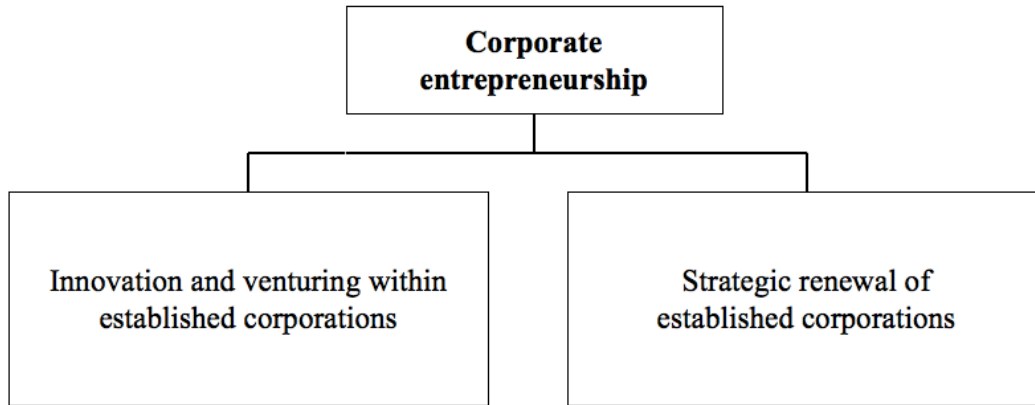


Figure 2 Corporate entrepreneurship according to Guth and Ginsberg (1990, 7)

Sharma and Chrisman (1999, 18) define corporate entrepreneurship as follows: “- - the process whereby an individual or a group of individuals, in association with an existing organization, create a new organization, or instigate renewal or innovation within that organization”. Corporate entrepreneurship describes the entrepreneurial characteristics of business, in other words “the identification and exploitation of opportunity in the face of resource constraints”, in the context of corporations (Phan et al., 2009, 198). Also Stevenson and Jarillo (1990) define corporate entrepreneurship through the qualities of entrepreneurship, such as opportunity seeking, attitudes of individuals, minor consequences of failure when exploiting opportunities, and informal networks. The entrepreneurship theory is emphasized particularly when the research and theory of corporate entrepreneurship is regarded to focus too much on corporate venturing and neglect other entrepreneurial phenomena. In addition to new business creation, a significant part of the corporate entrepreneurship theory is also “the ability of corporations to act entrepreneurially”. (Stevenson & Jarillo, 1990, 25.)

The concept of corporate entrepreneurship does not have an unambiguous and unanimous definition, since the term is used to describe various organizational phenomena (Covin & Kuratko, 2010, 207; Covin & Miles, 1999, 48; Guth & Ginsberg, 1990, 6; Kuratko & Audretsch, 2009, 2). The terminology of corporate entrepreneurship is not systematized and among scholars there is plenty of confusion about the definitions. Due to the disordered usage of the terminology, it has been challenging for the scholars to contribute and develop the theory of corporate entrepreneurship. (Ireland et al., 2009; Sharma & Chrisman, 1999.) Despite the confusion caused by multiple meanings of the concept, many scholars suggest a

broad understanding of corporate entrepreneurship rather than a narrower and a limited view. A broader view on the concept is found to support the heterogeneity of the manifestation of the concept. (Guth & Ginsberg, 1990.)

According to Covin & Miles (1999), innovation is the key perspective in corporate entrepreneurship and according to Kohler (2016), some corporate entrepreneurship activities are focused on open innovation. Also Phan et al. (2009, 204) note that since corporate entrepreneurship research emphasizes innovation, corporate entrepreneurship and innovation management research are partly overlapping. The overlapping of corporate entrepreneurship and innovation research is also found among the topics of strategic entrepreneurship and strategic innovation (Hamel & Prahalad, 1995; Kuratko & Audretsch, 2009). In addition, corporate entrepreneurship may be considered interchangeable with its both sub-concepts, corporate venturing and strategic entrepreneurship (Covin & Kuratko, 2010, 207; Ireland et al., 2009; Kuratko & Aldretsch, 2009). These add to the challenges regarding the confusion of corporate entrepreneurship terminology.

As mentioned earlier, the concept of corporate entrepreneurship is varied and broad. The variety and broadness partly results from the inconsistent terminology and partly from the phenomenon itself. There are many research directions on corporate entrepreneurship. For instance, some aim to explain what makes a company entrepreneurial and which are the dimensions of entrepreneurial companies. Other scholars have focused on the entrepreneurial behavior, and some explore the interface of strategy and corporate entrepreneurship. (Covin & Miles, 1999; Lant & Mezias, 1990.) However, although the variety is causing challenges for the research and theory development, it is also appreciated among the scholars: the previous research suggests further research on the heterogeneity of corporate entrepreneurship (Phan et al., 2009).

### **2.1.1 Survival strategy for competitive business environments**

In the corporate entrepreneurship literature, the business environment is described as highly competitive. Furthermore, these competitive conditions of corporations are stated to require entrepreneurial, in other words innovative, renewing and resource aware, strategies. (Ireland et al., 2009; Kuratko & Audretsch, 2009; Morris et al., 2008; Peltola, 2012.) Corporate entrepreneurship is described to include ways of how to separate oneself from the *rivals*

within the own industry (Covin & Kuratko, 2010, 212). Also earlier research connects corporate entrepreneurship with a competitive environment (Guth & Ginsberg, 1990). Thus, corporations seem to exploit corporate entrepreneurship when facing competition and changes in their operational environment.

Entrepreneurial strategies are regarded as a way of responding to major changes in the business environment (Lant & Mezias, 1990). Mutually, the business environment is found to affect corporate entrepreneurship. The environment either raises opportunities or offers competition, which in turn direct companies to adopt a more entrepreneurial direction. (Guth & Ginsberg, 1990, 7.) Thus, the external business environment is emphasized in corporate entrepreneurship literature, and corporate entrepreneurship is called “*survival strategy*” for companies in competitive business environments (Peltola, 2012, 44). It may be concluded that the fundamental purpose of corporate entrepreneurship is therefore to aid and provide corporations with capabilities they need in their changing and competitive business environments.

### **2.1.2 Entrepreneurial phenomena across the organizational levels**

Corporate entrepreneurship can be conducted on many organizational levels and locations. (Ireland et al., 2009.) According to Phan et al. (2009, 198), corporate entrepreneurship on different organizational levels is not detached or independent, but interconnected with each other. According to Hornsby, Naffziger, Kuratko and Montagno (1993), both individual and organizational levels have separate roles in corporate entrepreneurship processes.

Corporate entrepreneurship manifests itself in different ways on different organizational levels. Individual employees may represent individual entrepreneurial cognitions or characteristics and therefore be able to recognize and exploit entrepreneurial opportunities. (Ireland et al., 2009.) The individual level may also show in the desire to develop innovative capabilities of the individuals within the organization, in other words of the employees (Hornsby et al., 1993).

Top management members are also individuals in the organization and their capabilities can too be developed as employees’ capabilities. However, top management is regarded as a separate level due to its special role in the organization. According to Dess et al. (2003), top

management has a significant role especially in fostering internal corporate entrepreneurship. Corporate entrepreneurship is also suggested to arise among the top management as their entrepreneurial strategic visions. (Ireland et al., 2009.)

There is yet another organizational level of corporate entrepreneurship. Corporate entrepreneurship manifests itself on the organization or company level in the organizational structure, culture, resources and capabilities and reward systems. (Ireland et al., 2009.) On the organization level corporate entrepreneurship may also be utilized as a direction or theme of the corporate strategy. This is also described as the dominant logic of the company. (Kuratko & Audretsch, 2009.) Entrepreneurial strategies, which are a clear form of organization level manifestation, are regarded as one form of corporate entrepreneurship. (Kuratko & Audretsch, 2009; Morris et al., 2008).

In sum, both management and employee involvement is relevant, since both bottom-up and top-down processes are needed in corporate entrepreneurship (Phan et al., 2009, 202). In addition, Phan et al. (2009, 204) note that corporate entrepreneurship should not be centralized in and practiced from a specialist function. This emphasizes the importance of having entrepreneurial phenomena throughout the organization. Also according to Ireland et al. (2009, 25), corporate entrepreneurship is conducted extensively throughout the organization, through “*an entrepreneurial strategic vision, a pro-entrepreneurship organizational structure, and entrepreneurial processes and behavior as exhibited across the organizational hierarchy*”. Furthermore, Kuratko, Ireland, Covin and Hornsby (2005) note that when implementing corporation entrepreneurship, participation of the middle and lower level of the organization is significant. These notions represent the relevance of extensive corporate entrepreneurship throughout the organization.

## **2.2 Corporate venturing**

Corporate venturing may be the most consistently applied concept in corporate entrepreneurship literature. It is also the origin of the concept corporate entrepreneurship, since corporate entrepreneurship first meant new business generation (Covin & Kuratko, 2010). Corporate venturing refers to “*new business creation in the corporate context*”. (Ireland et al., 2009.) It can also be defined as “*new-business entry by established firms*”,

which does not require new business organizations (Covin & Kuratko, 2010, 207) or wider as “*a set of entrepreneurial phenomena through which new businesses are created by, added to, or invested in by an existing corporation*” (Covin & Kuratko, 2010, 212).

Corporate venturing refers to venturing and innovation activities pursuing to create new businesses. Its aim is thus to create new businesses and integrate them to the established, existing business of the company. (Phan et al., 2009, 198-199.) However, also direct equity investments or investments in venture capital funds can be classified as corporate venturing, even though in this form the businesses already exist and investing does not create a completely new business (Miles & Covin, 2002).

It is also noteworthy that not all new businesses inside corporations are unambiguously results of corporate venturing. Also many forms of strategic entrepreneurship may produce new businesses. (Kuratko & Audretsch, 2009.) It remains unclear, whether new businesses arisen from strategic entrepreneurship related activities are labelled as strategic entrepreneurship or whether they can be categorized as corporate venturing, since previous theoretical discussion does not take a stand on this question. I now discuss the concept of corporate venturing further by presenting its purposes and different modes of how established companies can engage in it.

### **2.2.1 Purposes of corporate venturing**

According to Tidd and Taurins (1999), there are two different main purposes for corporate venturing, whereas Miles and Covin (2002) present three main aims.

The purposes of Tidd and Taurins (1999) are: (1) leveraging, for example exploring new markets or developing new products with the existing capabilities the company possesses, and (2) learning, for example to get access to new capabilities which can be exploited in current markets and products. Miles and Covin (2002) suggest that the aims of corporate venturing are (1) to create innovative capabilities in order to develop the company to a more entrepreneurial direction, (2) to either enhance value production with current capabilities or to gain capabilities from new, less explored areas, and (3) to gain short-term financial profits.

The latest and widest suggestion about the purposes of corporate venturing is presented by Covin and Kuratko (2010). Their list of the reasons is: (1) “*to exploit underutilized*

*resources*”, (2) “*to extract further value from existing resources*”, (3) “*to introduce competitive pressure onto internal suppliers*”, (4) “*to spread the risk and cost of product development*” and (5) “*to divest non-core activities*”. These motives indicate that the ultimate reason for corporate venturing does not necessarily need to be new business creation. New businesses may also be created in order to reach some other purpose, such as new product development. (Covin & Kuratko, 2010, 208-209.)

### **2.2.2 Three modes of corporate venturing**

Corporate venturing can be conducted in three different modes: internal, cooperative and external, depending on the ownership of the new ventures. However, not all studies recognize the cooperative mode of corporate venturing. (Covin & Kuratko, 2010, 207; Morris et al., 2008; 81; Sharma & Chrisman, 1999.) Furthermore, also four modes of corporate venturing are suggested. In this view the internal and external modes have been divided into direct and indirect modes. The modes are: direct internal venturing, direct external venturing, indirect internal venturing, and indirect external venturing. Here direct refers to direct investments between the established company and the small company and indirect to investments made with the help of intermediaries, such as venture capital funds. (Miles & Covin, 2002.)

Corporate entrepreneurship has traditionally mostly discussed the forms of internal venturing (Burgelman, 1983; Guth & Ginsberg, 1990). In recent corporate entrepreneurship research, corporate accelerators suit this mode of corporate venturing (Kohler, 2016). Also corporate incubation, such as generating and supporting internal spin-offs, can be understood as internal venturing (Weiblen & Chesbrough, 2015). The mode of cooperative venturing may also be called joint corporate venturing or collaborative corporate venturing. Joint ventures naturally belong to this mode. (Covin & Kuratko, 2010).

External corporate venturing is often explored when established companies pursue short-term financial benefits (Covin & Kuratko, 2010). Spin-offs originated at universities are also mentioned as one source for corporate venturing (Phan et al., 2009). This form of corporate venturing may be classified either as external or cooperative mode, depending on how much the established company is involved in the spin-off from the beginning.

## 2.3 Strategic entrepreneurship

Strategic entrepreneurship refers to the activities among corporate entrepreneurship which aim at renewal and at the ability to compete and take risks (Phan et al., 2009, 199). In other words, it combines the opportunity-seeking entrepreneurial behavior and the advantage-seeking strategic behavior (Ireland, Hitt & Sirmon, 2003). Strategic entrepreneurship is the term in corporate entrepreneurship literature describing most clearly the interface of strategy and entrepreneurship theories. However, also the concept of strategic entrepreneurship is ambiguous and used inconsistently. (Kuratko & Audretsch, 2009.)

Entrepreneurship cannot be simplified and understood only as actions in organizations, since it also describes the entrepreneurial mentality. In companies this means that entrepreneurship may manifest itself on an organizational level, for example as a strategic theme, and not only in single actions, for example in investments. (Kuratko & Audretsch, 2009.) Strategic entrepreneurship does not necessarily aim to create new businesses. It rather describes more broadly all kinds of entrepreneurial activities which take place in corporations. However, strategic entrepreneurship may also result in new businesses. (Covin & Kuratko, 2010.)

Strategic management and entrepreneurship discussions have been focusing on several similar themes and topics, but there have been only minor integration efforts. Corporate entrepreneurship and strategic management overlap especially when the focus is on how large businesses perform and how corporate entrepreneurship performs. It is even stated that strategic management has appropriated certain topics from entrepreneurship studies. (Meyer, 2009.) However, in this study I do not explore the performance of businesses or corporate entrepreneurship further than representing this explaining notion of the history of the academic discussions.

I now discuss the concept of strategic entrepreneurship further by first representing its five main types (Kuratko & Audretsch, 2009). The five main types concretize the concept of strategic entrepreneurship and its purposes, for example why companies engage in it. I then discuss the differences of an *entrepreneurial strategy*, a strategy with entrepreneurial features, and a *strategy for entrepreneurship*, a strategy for implementing the entrepreneurial activities

of the company (Kuratko & Audretsch, 2009; Morris et al., 2008). This clarifies the terminological confusion and specifies the two core functions of strategic entrepreneurship.

### 2.3.1 Five types of strategic entrepreneurship

Strategic entrepreneurship can be divided into five types, which are (1) “*sustained regeneration*”, (2) “*organizational rejuvenation*”, (3) “*strategic renewal*”, (4) “*domain redefinition*” and (5) “*business model reconstruction*” (Kuratko & Audretsch, 2009). The division into four types is first made to the main concept, corporate entrepreneurship (Covin & Miles, 1999; Dess et al., 2003). It is later connected with the concept of strategic entrepreneurship, and at the same time the last type, business model reconstruction, is added (Morris et al., 2008; Kuratko & Audretsch, 2009). The same five types with differing names are also listed and described by Covin & Kuratko (2010) as the five areas of strategic entrepreneurship. The five types of strategic entrepreneurship are presented in Figure 4. The four types of strategic entrepreneurship are also described as “*labels*” (Covin & Miles, 1999). This name represents the inexact borders and definitions of the types. The types describe both how companies engage in strategic entrepreneurship and what are their purposes.

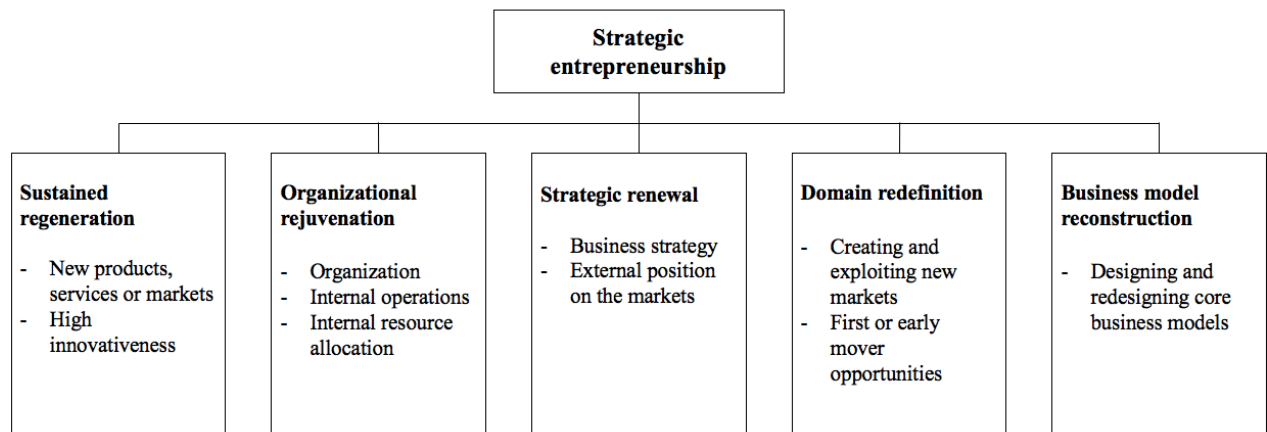


Figure 3 Five types of strategic entrepreneurship (after Kuratko & Audretsch, 2009)

When companies create cultures, processes and structures aiming at fast and constant new product and service launches and new market entries, it is called *sustained regeneration*. Sustained regeneration is regarded as the most commonly recognized type of corporate



entrepreneurship. In sustained regeneration, companies pursue high innovativeness and foster their innovative capabilities. (Covin & Miles, 1999; Dess et al., 2003.) The core of sustained regeneration is constant entrepreneurial activities. Also new businesses can arise inside corporations when launching new products and services or getting access to new markets. (Kuratko & Audretsch, 2009.)

Exploiting corporate entrepreneurship in developing the organization of the company is called *organizational rejuvenation*. Organizational rejuvenation recognizes the entrepreneurial phenomena which aim for improved internal operations or internal resource allocation. The purpose is not to change the strategy of the company, but to improve the strategy execution through entrepreneurial activities which produce organizational innovations. (Covin & Miles, 1999.) The aim of organizational rejuvenation is not to change the strategic direction, product or service offering or prevailing markets. The changes are only targeted in the organization and its operations, and they may be smaller or multiple or the entire organization may be completely redesigned at once. (Kuratko & Adretsch, 2009.) Organizational rejuvenation can also simply be called organizational renewal (Hurst, Rush & White, 1989).

*Strategic renewal* refers to the entrepreneurial actions which change the external position of the company on its markets. In strategic renewal companies employ a new strategic direction. (Covin & Miles, 1999.) However, a new strategy does not necessarily denote strategic renewal, if it is similar to the old ones. Strategic renewal requires significant repositioning in the competitive environment. (Kuratko & Aldretsch, 2009.)

*Domain redefinition* describes how companies create first or early mover opportunities in new markets through corporate entrepreneurship activities. Companies seek a pioneer position and opportunities to create new industry standards. (Covin & Miles, 1999). Domain redefinition may be considered to describe the same phenomenon as the concepts of blue ocean strategy, market pioneering and bypass strategy (Kuratko & Audretsch, 2009, 9; Kim & Mauborgne, 2005; Fahey, 1989; Golder & Tellis, 1993).

The fifth type of strategic entrepreneurship, *business model reconstruction*, is defined and described least accurately. It represents designing and redesigning the core business model or models of a company. Companies may employ business model reconstruction by outsourcing or by applying vertical integration, for example by increasing the amount of functions in their

own control with the formerly outsourced functions. However, the linkage between entrepreneurial phenomena of companies and business model reconstruction is not described as clearly as the linkage between the other four types of strategic entrepreneurship. (Kuratko & Audretsch, 2009.)

### 2.3.2 Entrepreneurial strategy or strategy for entrepreneurship?

Strategic entrepreneurship can be divided into *entrepreneurial strategy* and *strategy for entrepreneurship*. Entrepreneurial strategy means a strategy of a company which has entrepreneurial features. Strategy for entrepreneurship describes the ways of executing company-wide entrepreneurial activities. (Kuratko & Audretsch, 2009; Morris et al., 2008.) However, especially the term entrepreneurial strategy is ambiguous and applied in varied contexts in the research of strategic entrepreneurship. Although strategic entrepreneurship is defined as the sub-concept of corporate entrepreneurship, Ireland et al. (2009) find that entrepreneurial strategy describes the same phenomenon as corporate entrepreneurship strategy, the main concept. Nevertheless, most researchers regard entrepreneurial strategy as a sub-concept of strategic entrepreneurship. (Ireland et al., 2009; Kuratko & Audretsch, 2009; Morris et al., 2008.)

Entrepreneurial strategy refers to extensive entrepreneurial behavior in the organization and continual rejuvenation of the organization (Kuratko & Audretsch, 2009; Morris et al., 2008). Entrepreneurial strategy is also closely related to innovation and risk taking (Sonfield & Lussier, 1997). Morris et al. (2008, 194) define entrepreneurial strategy as “*a vision-directed, organization-wide reliance on entrepreneurial behavior that purposefully and continuously rejuvenates the organization and shapes the scope of its operations through the recognition and exploitation of entrepreneurial opportunity*”. According to this definition, purpose, continuity and entrepreneurial opportunities are the most relevant characteristics of entrepreneurial strategy separating it from other types of corporate strategies. Sonfield and Lussier (1997) emphasize innovativeness in addition to the risk taking when estimating how entrepreneurial a strategy is. Also Kuratko and Audretsch (2009) note that entrepreneurial strategies may include taking a higher level of risk when discovering unique opportunities instead of following an obvious direction.

Strategy for entrepreneurship is needed in order to enhance and systematize entrepreneurial activities in corporations. It also includes a decision of the entrepreneurial level the company is aiming to achieve. (Kuratko & Audretsch, 2009.) Strategy for entrepreneurship defines what the areas where entrepreneurial activity is desired are. It also defines the emphasis on generating new businesses versus renewing the existing business. In addition, it may include the innovativeness expectations on the business units and management levels of the corporation, such as goal setting and follow-up of entrepreneurial activities. (Morris et al., 2008.)

## 2.4 Corporate entrepreneurship and startups

Startups are covered and mentioned in few corporate entrepreneurship studies. Kohler (2016) examines corporate accelerators as one form of corporate venturing. His study is situated between the corporate entrepreneurship, startup-corporate collaboration and partnerships and open innovation literature. (Kohler, 2016.) Weiblen and Chesbrough (2015) use the perspective of innovation to see how technology corporations reach for entrepreneurial capabilities through different forms of startup engagement.

The literature of corporate entrepreneurship does not in general define the new business outcomes of corporate entrepreneurship. The literature mostly refers to them as new businesses and spin-offs, but does not define their nature or call them for instance startups. (Covin & Kuratko, 2010; Dess et al., 2003.)

Kohler (2016, 349) introduces the concept of *corporate-startup engagement spectrum* (Figure 4), with the help of which he describes different ways of conducting corporate-startup engagement. In his spectrum only five ways are described: hackathons, incubators, incubation, venturing and M&A. However, in his article also four additional ways, accelerators, pilot projects, customership and distribution, are introduced although they are not included in the spectrum. (Kohler, 2016.) Therefore, I present all the nine ways in the same corporate-startup engagement spectrum. Furthermore, I describe the four models for corporate-startup engagement of Weiblen and Chesbrough (2015), which are illustrated in Figure 5.

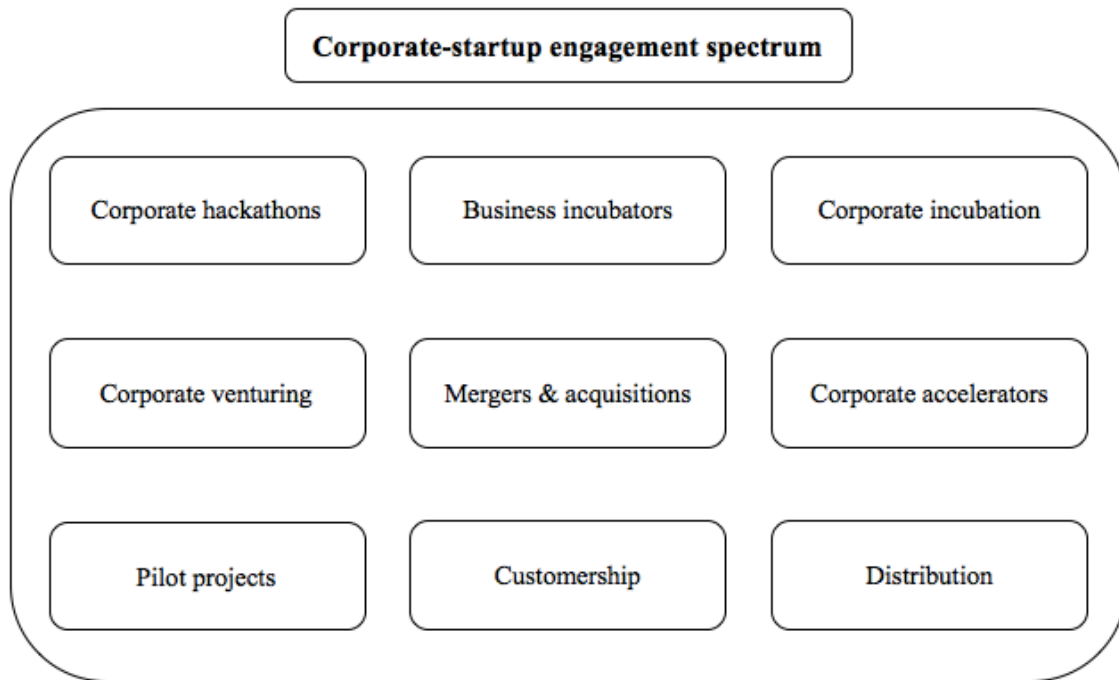


Figure 4 Corporate-startup engagement spectrum (after Kohler, 2016)

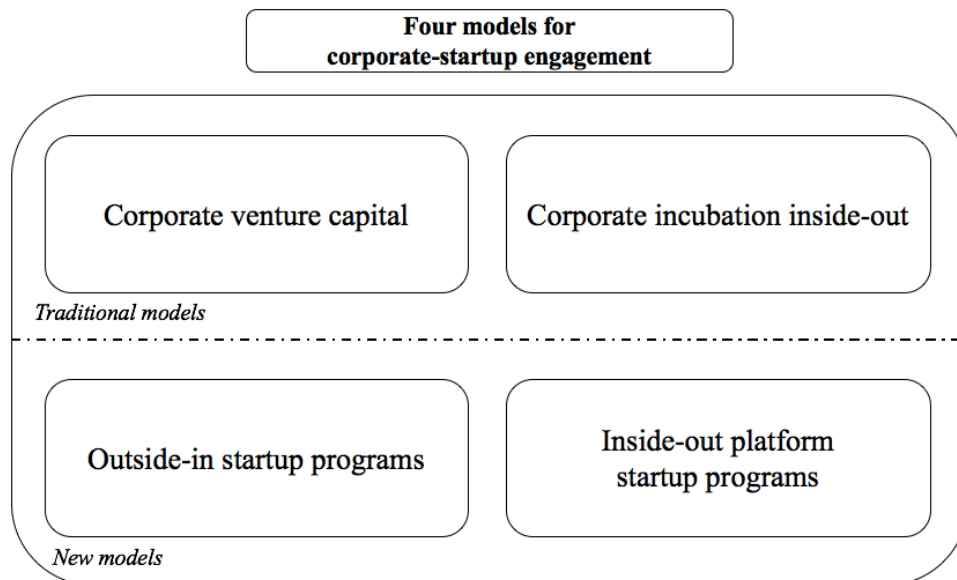


Figure 5 Four models of corporate-startup engagement (Weiblen & Chesbrough, 2015)

Kohler (2016) mentions *corporate hackathons* as an unsubstantial short-term corporate-startup engagement, but does not elaborate it further. *Business incubators* are a corporate-startup engagement form which does not continuously demand participation and resources from the corporation. Business incubator is described as a working space for startups which is supported by a corporation and which provides services directed for startups. The selection of the business incubator participants is however conducted by the corporation. (Kohler, 2016.)

*Corporate incubation* denotes how to take advantage of innovations inside a corporation that are not seen essential for the company. Corporate incubation is not considered to be as powerful innovation tool as for instance corporate accelerators. The connection of startups and corporate incubation is not described further, but it may be assumed that corporate incubation as startup engagement is for example taking spin-offs of the employees of the corporation into account. (Kohler, 2016.) Also Weiblen and Chesbrough (2015) recognize the corporate incubation startup engagement model as a traditional model of startup engagement. It is a way of exploiting internal innovations which cannot be exploited in the own organization due to the current business focus. These internal innovations can be financially exploited and commercialized through corporate incubation. (Weiblen & Chesbrough, 2015.)

Kohler (2016) understands *corporate venturing* to be a financial technique in startup engagement compared to the broad sense of corporate venturing as the sub-concept of corporate entrepreneurship (Covin & Kuratko, 2010). Corporate venturing is not a systematized way of startup engagement and thus it may be hard to enable simultaneous engagement with many startups through corporate venturing. (Kohler, 2016.) Weiblen and Chesbrough (2015) list corporate venture capital as a traditional corporate-startup engagement model. Corporate venturing means financing such an entrepreneurial activity which is regarded as interesting in terms of new technologies or markets. In corporate venturing there is a potential of financial profit but the primary reason is to explore new interesting topics corporations would otherwise not have access to and to buy influence in them. Venturing may lead to acquisitions, if the startup is regarded interesting enough. (Weiblen & Chesbrough, 2015.)

*Mergers and acquisitions* provide a fast tool for business entries and specific business problems (Harrison, Hitt, Hoskisson & Ireland, 2001). Also according to Vesper (1990), startups offer corporations a possible way for executing a business entry. The advantage of

mergers and acquisitions is that they offer possibilities for piloting with many startups and to gain a broad understanding of the available potential target startups. Acquiring startups after corporation accelerator programs remarkably fastens the process of exploring the available potential startups, since the interesting startups are already reviewed during the program.

(Kohler, 2016.)

*Corporate accelerators* are programs in a limited timeframe and the participant startups are generally searched through an open application process. Corporations effectively meet potential partners and startups are provided with mentoring and resources. Investments made in corporate accelerators are not primarily made in terms of financial value, but to gain insight and access to new technologies, markets and capabilities. Corporate accelerators are partly developed from business incubators which corporations have operated earlier. (Kohler, 2016.) Corporate accelerators are similar to the new corporate-engagement model of *outside-in startup programs*. In these programs, startups are suppliers of new technologies and ideas. Outside-in startup programs are designed to enable corporations a possibility to screen and explore ideas of multiple startups in a systematized but yet light administrative structure. The exploration is thorough since it is conducted in the framework of the program. Outside-in startup programs also tighten the gap between the startup and corporate world. (Weiblen & Chesbrough, 2015.)

New product development, market opportunity exploration and new technology development are reasons for corporate-startup *pilot projects*. Pilot projects include funding, and from the perspective of the corporations the core of these projects is to innovate externally at a lower cost. Corporations may use startups as their suppliers and thus be customers of startups. This is especially possible after an accelerator program where corporations have had the chance to explore potential startups. Furthermore, partnering in distribution is also noted as a way of corporate-startup engagement. When distributing the solution of startups, corporations have recognized a valuable joint solution. (Kohler, 2016.)

Furthermore, Weiblen and Chesbrough (2015) discuss *inside-out platform startup programs* as a new model for corporate-startup engagement. In these programs, corporates supply their technology and capabilities for startups, which in turn develop new products for the purposes of corporations. The aim of inside-out platform startup programs is to expand the current markets of corporations. The inside-out platform startup programs are carefully designed and

structured, but may not be as limited in time as outside-in programs. Platforms may be used in a more long-term manner in order to lure startups to the ecosystem of the firm. The platform model is stated to be the dominant current innovation model of corporations. (Weiblen & Chesbrough, 2015.)

There are limitations regarding the presented engagement models and forms. Weiblen and Chesbrough (2015) note that their models are not mutually exclusive and corporations may therefore exploit several of them simultaneously. Also the industry context is limited: Weiblen and Chesbrough (2015) represent their corporate-startup engagement models only in the context of technology corporations and Kohler (2016) too has studied only technology companies.

According to Kohler (2016), the corporate accelerators act as the interface between startups and corporations and one of their greatest advantages is to bring these two parties closer to each other. The two-way function of corporate accelerators is to produce value for the participating startups and to generate innovation benefits for the corporation organizing the accelerator program (Kohler, 2016.). The same notion of bringing the two completely different environments closer to each other is also stated by Weiblen and Chesbrough (2015) and therefore the notion appears not to be interrelated only to accelerators.

## **2.5 Theoretical framework**

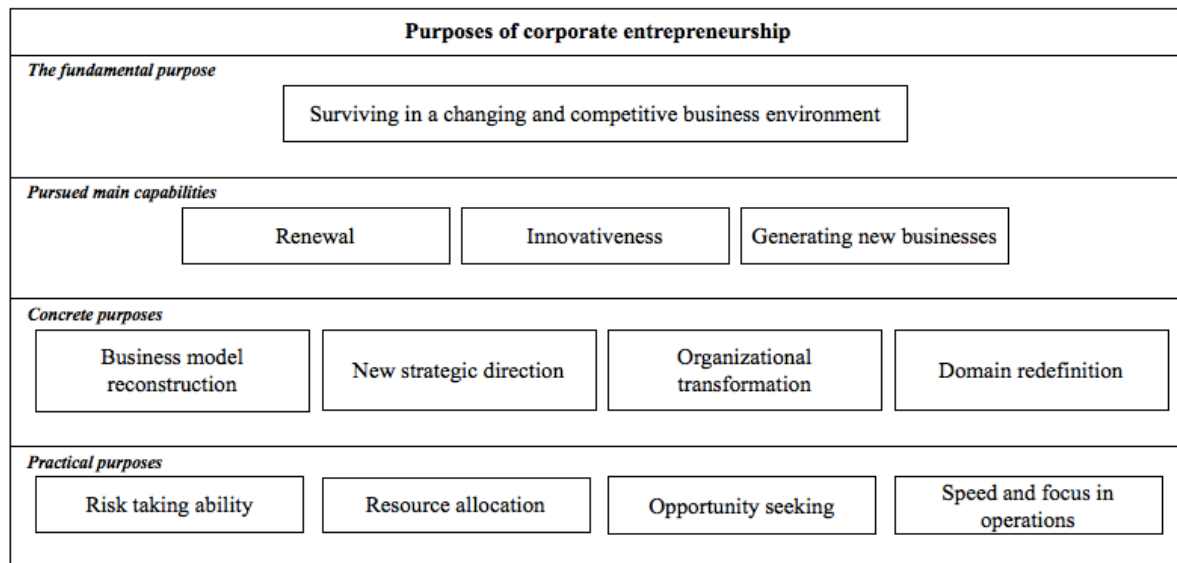
As noted, the concept of corporate entrepreneurship and its terminology is partly elusive and overlapping. It is also evolving, as is seen for example in the four types of corporate entrepreneurship (Covin & Miles, 1999; Dess et al., 2003), which have turned into five types of strategic entrepreneurship (Covin & Kuratko, 2010; Kuratko & Audretsch, 2009).

Based on the theoretical discussions, I employ a theoretical framework of two models to this study. The first model sums up the reasons or purposes the literature suggests for conducting corporate entrepreneurship. The second model sums up the forms of engaging in corporation entrepreneurship according to earlier studies. I do not separate corporate venturing and strategic entrepreneurship in these frameworks but regard the concept of corporate entrepreneurship as one entirety. I chose to create and combine the framework myself and not

use an existing framework, since there are no generally accepted, extensive models on the purposes and forms of corporate entrepreneurship.

### 2.5.1 Purposes of corporate entrepreneurship

The first model of my theoretical framework is a recapitulation of the purposes the earlier literature suggests for corporate entrepreneurship. I have divided them into four levels: (1) the fundamental purpose, (2) pursued main capabilities, (3) concrete purposes and (4) practical purposes. The levels describe how abstract or concrete the purposes are. The model is naturally a compact simplification of the earlier literature. I have selected the main themes that arise in the previous literature, and thus the model is not exhaustive. It may also be justified to argue a different order of the purposes, since the purposes may be understood in varied senses and they may also be interconnected with each other. The model of the purposes of corporate entrepreneurship is illustrated in Figure 6.



*Figure 6 Theoretical framework (1/2) of this study: Purposes of corporate entrepreneurship*

The fundamental purpose of *surviving in a changing and competitive business environment* is found in many previous studies and it seems to be the justifying foundation to corporate entrepreneurship research (Guth & Ginsberg, 1990; Ireland et al., 2009; Kuratko &



Audretsch, 2009; Morris et al., 2008; Peltola, 2012). The fundamental purpose is very abstract and general. I do not define a changing and competitive business environment, since it may be a subjective understanding of each company.

The slightly more concrete level is the level describing the main capabilities companies pursue with corporate entrepreneurship. The capabilities are *renewal*, *innovativeness* and *generating new businesses*, since they enable the fundamental main purpose but they are no concrete, defined actions. Innovativeness is an evident pursued capability according to many corporate entrepreneurship studies (Covin & Kuratko, 2010; Covin & Miles, 1999; Kohler, 2016; Stevenson & Jarillo, 1990). Renewal here means the capabilities needed for organizational transformation (Guth & Ginsberg, 1990) and all of the forms of strategic entrepreneurship which eventually pursue renewal (Covin & Kuratko, 2010; Covin & Miles, 1999; Kuratko & Audretsch, 2009). Generating new businesses refers to the essential part of corporate entrepreneurship of exploring new business areas, producing new businesses and realizing growth (Miles & Covin, 2002; Stevenson & Jarillo, 1990).

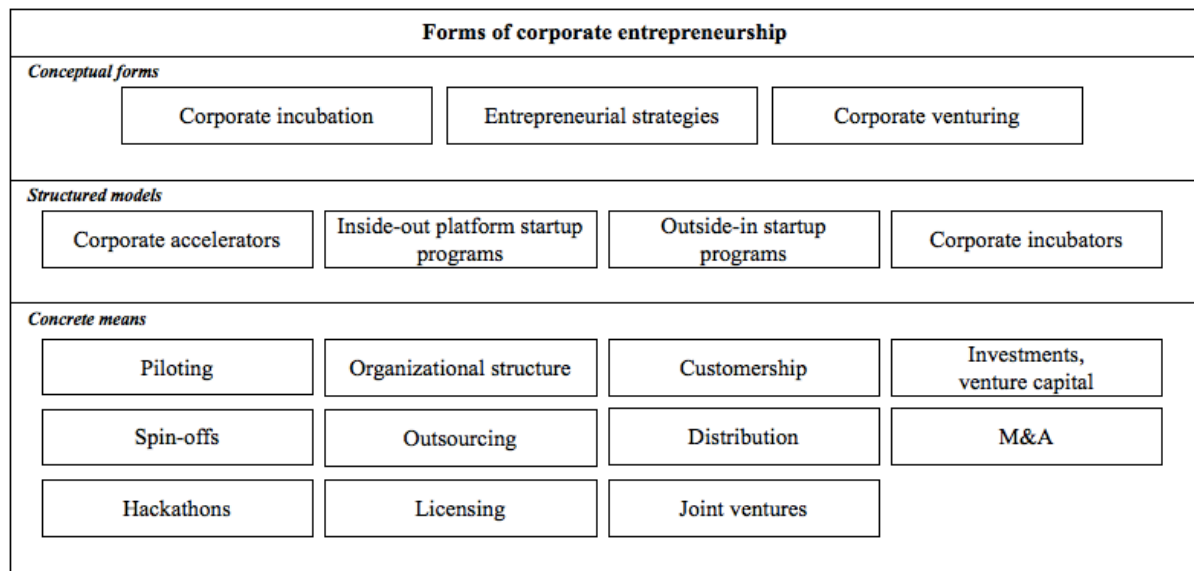
The concrete purposes are *business model reconstruction*, *new strategic direction*, *organizational transformation* and *domain redefinition*, mainly according to four of the five areas of strategic entrepreneurship. I have not chosen the fifth area of strategic management, sustained regeneration, separately in this model. (Kuratko & Audretsch, 2009.) In my mind, the core of sustained regeneration is already included in renewal and innovativeness on the upper level of the model. The concrete purposes are selected since they represent concrete, realizable actions.

The practical purposes of the model are *risk taking ability*, *resource allocation*, *opportunity seeking* and *speed and focus in operations*. These are selected since they describe the practical entrepreneurial skills or capabilities corporations pursue in their corporate entrepreneurship engagement. (Kohler, 2016; Phan et al., 2009; Sonfield & Lussier, 1997; Stevenson & Jarillo, 1990; Weiblen & Chesbrough, 2015.)

The core of this model is not only to itemize the different purposes. The core observation is that there are purposes on varied levels and the different levels cannot be compared with each other. The more particular purposes also concretize the very abstract and general purposes of the two highest levels.

### 2.5.2 Forms of corporate entrepreneurship

The second model in my theoretical framework is a recapitulation of the forms of how the corporations engage in corporate entrepreneurship. Also this model is divided into levels according to how concrete or abstract the forms are. The forms are gathered from earlier literature and categorized into three levels: (1) conceptual forms, (2) structured models and (3) concrete means. This model too is a compact simplification of earlier literature. I have selected the main themes that arise in previous literature, and thus neither this model is exhaustive. It may also be justified to argue a different order of the listed forms, since some of the forms may be understood in varied senses and they may also be interconnected with each other. The model is illustrated in Figure 7.



*Figure 7 Theoretical framework (2/2) of this study: Forms of corporate entrepreneurship*

The conceptual forms represent the concepts of executing entrepreneurial activities. Corporate incubation, entrepreneurial strategies and corporate venturing are the most evident, abstract concepts of corporate entrepreneurship arising from the previous literature (Covin & Kuratko, 2010; Guth and Ginsberg, 1990; Kuratko & Audretsch, 2009; Morris et al., 2008). The structured models are corporate accelerators, inside-out platform startup programs, outside-in startup programs and corporate incubators. According to previous literature, these models are structured, systematic and in advance designed approaches for executing corporate

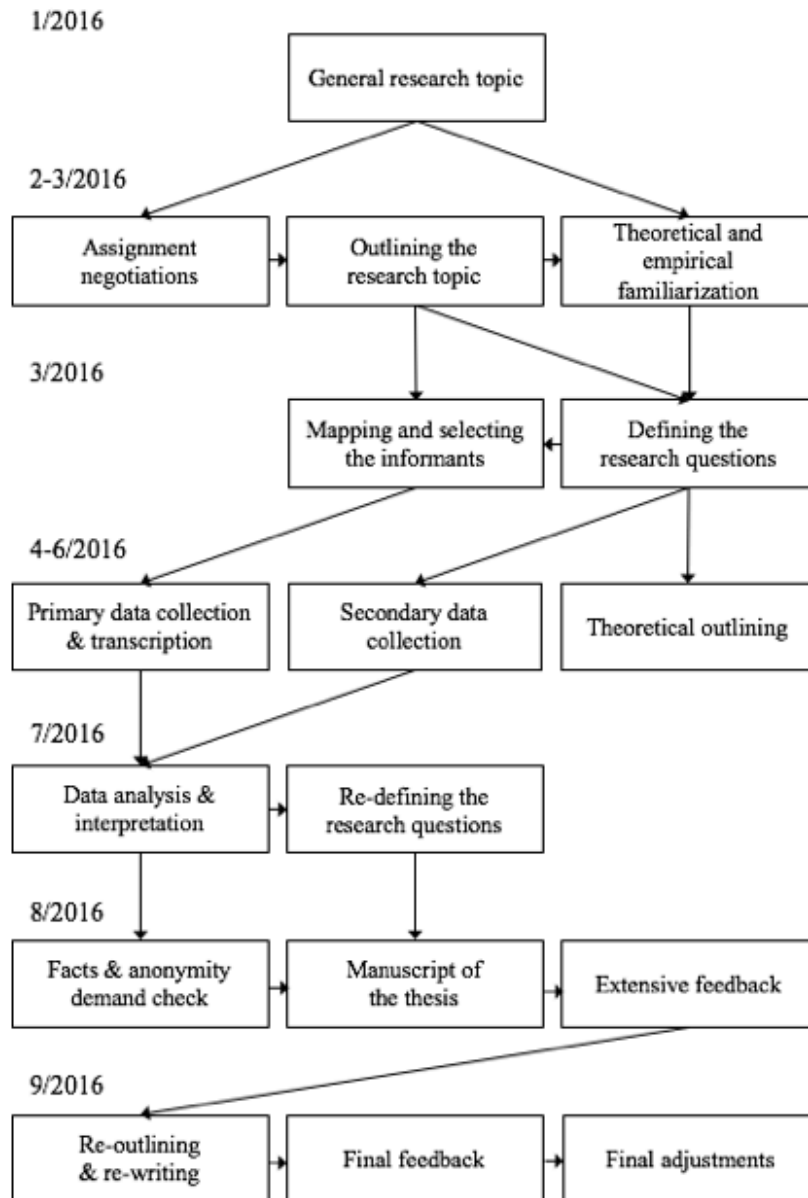
entrepreneurship. (Kohler, 2016; Weiblen & Chesbrough, 2015.) The concrete means are a summary of the concrete ways mentioned in the previous literature of corporate entrepreneurship. The means are piloting, customership, investments, spin-offs, organizational structure, outsourcing, distribution, M&A, hackathons, licensing and joint ventures.

### **3 RESEARCH METHODOLOGY**

In this chapter I comprehensively report the methodological choices I have made during this study and present the research process and the research subject. I also describe the quality of the collected materials and their main features. Lastly, I describe how I have conducted the content analysis on the empirical materials. I detail the research methodology carefully since it enhances the reliability of the research (Hirsjärvi, Remes & Sajavaara, 2013, 232).

#### **3.1 Research process**

The research process described here is illustrated in Figure 8. I started the process by discovering the research phenomenon and topic in general both empirically and theoretically, attending the thesis seminar and searching for a suitable organization to commission a master's thesis assignment from me. I wanted to conduct my master's thesis as an assignment in order to produce as relevant and useful knowledge as possible and in order to get professional practitioner insight into my research topic. The negotiations concluded with an assignment from a professional services company PwC and close co-operation with Confederation of Finnish Industries (Elinkeinoelämän keskusliitto, EK). I was appointed an adviser from both organizations, Lauri Lehtovuori (PwC) and Outi Ervasti (Confederation of Finnish Industries), who guided and aided me especially in the empirical matters throughout the research process. These contacts were also important for the study in order to get access to the top management of the established companies and to be able to conduct elite interviews (Koskinen, Alasuutari & Peltonen, 2005, 112-115).



*Figure 8 Illustration of the research process*

I continued the research process by outlining the research topic and familiarizing myself further with both the empirical and theoretical background of the phenomenon. After this I was ready to define the preliminary research questions with the help of my academic supervisor, peer team and instructors from PwC and Confederation of Finnish Industries. Simultaneously I mapped, selected and contacted possible companies and interviewees for the interviews. I had chosen the general goal of the research, qualitative research strategy and the preliminary research questions before deciding the empirical materials, as Eriksson and

Kovalainen (2008, 77) suggest. I received feedback several times during this phase of the research process.

As the interviews were conducted during several months, I simultaneously collected also the secondary data of the research. In addition, I started the analysis and interpretation process during the materials collection. When the analysis and interpretation of the materials progressed, I got a holistic understanding of the research topic and I was able to re-outline and re-define my research questions. I conducted this by observing the most important themes and findings of the empirical materials and comparing them to the previous research questions.

I conducted the analysis and the theoretical framework at the same time, which is allowed for abductive analysis (Eriksson & Kovalainen, 2008). Thus, I also defined and elaborated the research questions during the research process. After this I was able to focus on the theoretical literature and framework developed earlier and to write the manuscript of this research report. As these tasks were accomplished, I received extensive feedback from many parties and partly rewrote the manuscript. I presented my master's thesis in the seminar in September and made the required changes. At this point I checked from the interviewees the empirical facts regarding the interviewed companies and confirmed that the anonymity of the companies and interviewees is sufficient. Lastly, the language was revised to ensure the quality of the academic style of this research report.

My role as the researcher is visible in many phases. In qualitative research researchers are always present with their own individual background, knowledge and experiences. This influences the research process from the selection of the topic to the prioritization and highlighting of the findings and conclusions.

Apart from deciding and outlining the research topic, my influence as the researcher has been most considerable when interviewing the interviewees and when analyzing and interpreting the materials. In the interviews, I tried to be as neutral as possible and used leading questions only in order to lead the conversation to a specific theme. However, when leading the conversation in a precisely restricted period of time, it is highly possible that my pace of interviewing or my word choices have either led the interviewees to say certain issues or leave certain issues out. I may have particularly influenced the interviewees by associating different issues or themes with the concept of startup activities. Without this, the associations may not

have been made and the interviewees might not have touched upon the themes. When observing, there was no risk to influence the interviewees, since I only observed the content of presentations in the audience, once in a semi-public event and once in a large private event.

In a qualitative analysis and interpretation, the significance and role of researchers and their background is unavoidable. However, I have worked systematically with the research topic and questions in mind and been loyal to the empirical materials. I have truly attempted to disseminate the information and views the empirical materials present.

## **3.2 Research materials**

The main aim of my materials collection was to ensure that the study is based on diverse and extensive materials. Thus, I used both primary and secondary data. Diverse empirical materials form a plausible basis for the analysis and conclusions of this research. The term primary data refers to empirical materials which do not exist before the researcher collects them, whereas the term secondary data refers to materials which have already been collected by someone else and thus already exist (Eriksson & Kovalainen, 2008, 78).

### **3.2.1 Primary data**

The primary data of this study consists of the materials produced in semi-structured interviews and by observing in startup events. The semi-structured interviews are clearly the main primary data resource, whereas both the closed questionnaire and observation produced complementary and background materials.

#### **Semi-structured interviews**

Since my epistemological starting point is subjectivism, it is reasonable to use interviews as the main data collection method. Interviews allow the researcher to direct the materials collection during the actual situation. I found this important since my research topic and its concepts are not yet established and therefore the terminology may be ambiguous. Interviews are also recommended for materials collection if the research topic is fairly little explored.

(Hirsjärvi & Hurme, 2011, 35-36.) In addition, interviews are efficient and practical when collecting materials that do not exist as secondary data (Eriksson & Kovalainen, 2008, 80-81).

The semi-structured interview, also called guided interview, can be a highly efficient interview method due to the combination of control and direction of the researcher and the freedom of the interviewee. This method is appropriate for asking both what and how questions. (Eriksson & Kovalainen, 2008, 82; Hirsjärvi & Hurme, 2011, 47; Koskinen et al., 2005, 105.) Semi-structured interview allows the interviewee to speak with their own voice and to express their own views, so the method is ideal for producing knowledge from the perspective of the interviewees (Koskinen et al., 2005, 164). I chose to use the semi-structured interview method since I felt it was important to allow the interviewees to express their own views without restrictions. Hence I could find themes associated with startup activities which I would not have been able to realize myself and which would not perhaps have arisen in a structured interview. It is typical for qualitative research to favor methods which allow the interviewees to express their own views and voice, such as the method of semi-structured interview (Hirsjärvi et al., 2013, 164). In addition, I had previous experience of the semi-structured interview technique from my bachelor's thesis, so I had already rehearsed the method, which is recommended by the method literature (Eriksson & Kovalainen, 2008, 82). Private, one-to-one interview is one of the few ways to acquire information from the upper management and it may be the only method allowing to acquire knowledge on the meanings and interpretations people have on the matter of interest (Koskinen et al., 2005, 105-106).

Eleven established companies, which were known to be engaged in startup activity and estimated to conduct it on a wider scale, were chosen from various industries. I requested the companies to propose one management group member and one who is engaged in startup activity in practice to be interviewees for my study. Eventually, fifteen interviewees were reached and chosen. I interviewed them separately. The companies were intentionally chosen from different industries in order to ensure that the findings are not bound to some specific industry and in order to obtain rich data. It was one of the research interests to discover various industries in order to observe if startup activity occurs in various industries. The companies include both privately owned companies and public companies. The selection of the companies as research objects was appropriate and functional, and not coincidental, as Hirsjärvi et al. (2013; 164) guide.



The positions of the interviewees vary from CEO to Development Manager. Eight of the fifteen interviewees represent top management, considering their management group memberships. Three interviewees represent upper or middle management and four represent lower management. The object of interviewing both top management and those who are practically involved in the startup activities in their everyday work is therefore succeeded. Interviewing two persons from four companies each is also a way to ensure triangulation. The interviewees represent Technology, Research & Development, Business Development and Communication functions and top management with business responsibility. The division of the organizational levels and functions of the interviewees is presented in the Table 1 and Table 2.

*Table 1 Organizational level of the interviewees*

<b>Organizational level</b>	<b>Number of interviewees</b>
Management group members	8
Lower management	4
Upper or middle management	3

*Table 2 Organizational function of the interviewees*

<b>Location in the organization</b>	<b>Number of interviewees</b>
Technology or R&D	6
Business responsibility	5
Business Development or Innovations	2
CEO	1
Communications	1

Both the names of the companies and the interviewees are encrypted in order to secure the anonymity of the companies and people involved. For the same reason there are no details about the companies or interviewees separately. In this research report, I refer to the companies with codes and when needed, with industries.

*Table 3 Interviewed companies and their coding*

<b>No.</b>	<b>Company</b>	<b>Industry</b>	<b>Interviewee 1</b>	<b>Interviewee 2</b>
<b>1.</b>	<b>A</b>	building products	A1	A2
<b>2.</b>	<b>B</b>	forest	B1	B2
<b>3.</b>	<b>C</b>	energy	C1	C2
<b>4.</b>	<b>D</b>	energy	D1	
<b>5.</b>	<b>E</b>	pharmaceuticals	E1	
<b>6.</b>	<b>F</b>	retail	F1	
<b>7.</b>	<b>G</b>	recycling	G1	
<b>8.</b>	<b>H</b>	technology	H1	H2
<b>9.</b>	<b>I</b>	IT services and solutions	I1	
<b>10.</b>	<b>J</b>	electronics	J1	
<b>11.</b>	<b>K</b>	machinery	K1	

I refer to the interviewees with a combination of a letter signifying the company and a number signifying the interviewees, in order to help the reader to recognize when it is a person in

question and when a company. The anonymity of the interviewees and companies is also assured by blackening single critical words in the direct citations. The critical blackened words are industry specific terms or names. In order to ease the reading, the blackened words in the citations are explained in square brackets when necessary. The companies and the interviewees, their industries and coding are listed in Table 3.

Technically, my semi-structured interviews were based on an interview guide of themes and open questions to ease the interview process, as suggested in the methodology literature. My interview guide consisted of five main themes and further defining auxiliary questions ensuring the fluent progress of the interview. I employed the interview guide in a flexible manner in order to customize and optimize the interview themes and questions depending both on the company in question and the themes the interviewee was telling about, which is allowed in semi-structured interviews. (Koskinen et al., 2005, 104-108.) Also Eriksson and Kovalainen (2008, 82) warn about following the interview guide too strictly and thus preventing interviewees from telling other significant matters. The interview guide was intentionally broad and not very focused. With the help of this, the interviewees could also say matters that I as the researcher had perhaps not even thought to be related to the main topic. The questions of the interview guide had to be varied and broad, since my research topic is not an established entity and thus different people perceive different topics of startup activity in different ways. The translated interview guide is found in the appendixes of this research report.

I made two pilot interviews in order to improve and elaborate my interview guide. The themes and the questions of the pilot interview were almost the same as in the main interviews. Therefore, I have analyzed and utilized the materials of the pilot interviews as the materials of the other interviews. Three of the interviews were made by phone and the rest twelve face to face. All of the interviews were recorded. After conducting the interviews, I transcribed them and made a preliminary analysis as quickly as possible after the interviews. I wrote the transcripts in the level three according to the classification of transcription styles of Koskinen et al. (2005, 320), i.e. word for word. I could have easily lost the opinions and views of interviewees expressed by particular word choices if I had conducted the transcription with the compacting level two (Koskinen et al., 2005, 320). I have only left a few single words repeated in a row not transcribed, but in general I have transcribed also the expletives and the mumblings in order to secure the interpretation of views and opinions.

The interviews, transcript and analysis were conducted in Finnish. Only the findings of empirical materials are reported in English. The translation of the direct citations used in this research report may reduce the voice of the interviewees. In order to ease the understanding of the citations, I have clarified the citations by modifying sentence structures and by removing expletives. Taking this into account, I have translated the citations as accurately as possible. I therefore trust that the originality of the citations remains on an adequate level after my translation.

### **Observation in the events**

I participated in two events on corporation-startup collaboration: “Helsinki Startup Spirit” aimed for both established companies and startups, organized by Helsinki Chamber of Commerce, and a business breakfast aimed for corporation executives, hosted by PwC. In these events, I observed and made notes on the presentations given on the subject. The speakers were senior executives representing established and mostly multinational companies.

Since observation is considered as a challenging and demanding materials collection method, I only observed the content and substance of the presentations and speeches. Hence I could avoid most of the methodological challenges concerning observation, which arise for example when observing behavior or interaction. (Eriksson & Kovalainen, 2008, 87.) The materials I have collected through observation are complementary by nature, which legitimizes my usage of this challenging materials collection method.

### **3.2.2 Secondary data**

The secondary data functioned both as background information in the beginning of my research process and as complementary information after conducting the interviews and their interpretation. In addition, the secondary data has also helped me interpret the primary data I have collected. Secondary written data is especially recommended as complementary material due to its efficiency and particularity (Koskinen et al., 2005, 130-133).

I have selected relevant secondary data about the startup activities of the interviewed companies as well as other established companies in general. The secondary data is collected

mostly from public sources but it also includes a few documents received from the interviewees.

### **Corporate communications: annual reports, press releases and home pages**

I have used the corporate communications as a source of public secondary data. I have utilized company home pages, annual reports and press releases regarding startup activity. The secondary data provides a public and an official view of the established companies on startup activities.

### **News and reports about startup activities**

Startup activities of established companies is a current topic and thus well reported in the news and widely discussed in the local business debate. The news reports have provided me with useful information especially regarding the companies that I have not interviewed.

There are also several national and international non-academic reports written on the topic. The findings of these empirical reports have given me an understanding and insight into the phenomenon of the established companies' startup activities and thus helped me interpret my primary data.

## **3.3 Analysis and interpretation**

I have chosen a qualitative content analysis as my analysis method and I have applied an abductive perspective to my analysis. An abductive perspective refers to deduction that combines empirical materials and theory as the starting point of the analysis (Tuomo & Sarajärvi, 2002, 99). An abductive perspective is justified because although there is some research on my topic, my understanding of the phenomenon differs from the viewpoints of other researchers.

Before applying any analysis method, I started the examination by reading the collected materials several times and taking notes, as Koskinen et al. (2005, 231) suggest. Then I have followed the three-step-advice of Tuomi and Sarajärvi (2002, 109-116) to conduct a

qualitative content analysis: I have first broken the materials into pieces, then conceptualized the materials from the broken pieces and lastly reorganized the materials into new meanings and a new wholeness. In general, the qualitative analysis is a three-step-process, as according to Hirsjärvi and Hurme (2011, 145), it consists of combination, description and classification.

As Hirsjärvi and Hurme (2011, 137) note, the interpretation of semi-structured interviews is partly speculative, since the literature also recommends analyzing intentions and latent content. I have analyzed both the manifest content and when possible also the latent content, the “*hidden message*”, as Tuomo and Sarajärvi (2004) suggest when conducting the analysis of qualitative materials.

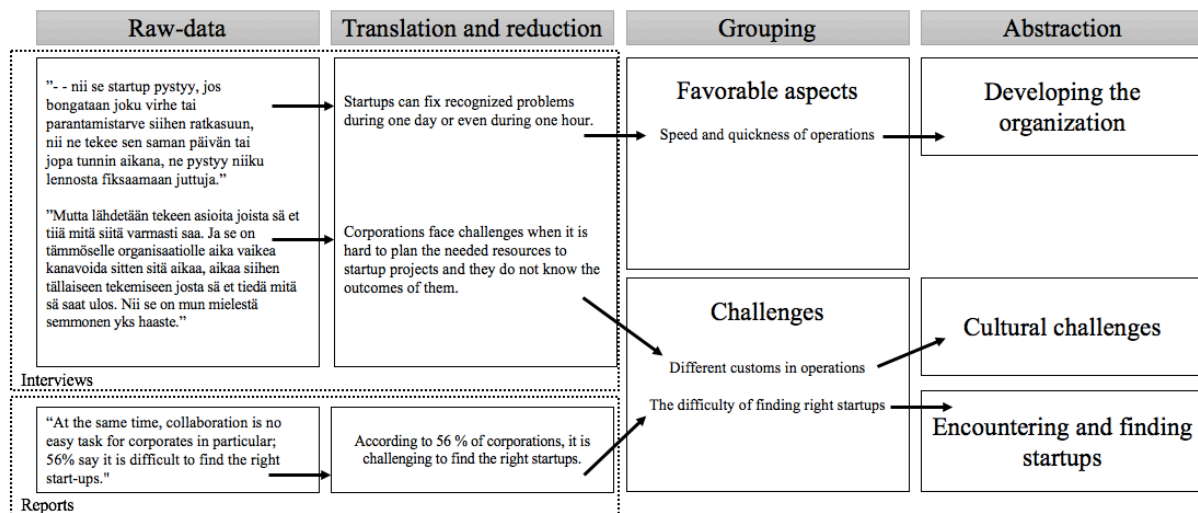


Figure 9 Examples on the content analysis

In Figure 9, I present three examples of my analysis, two from interviews (D1, 2016; F1, 2016) and one from a report (KPMG, 2014). When reading the raw-data several times, I picked up extracts of significant, interesting and recurring topics. Thereafter, I translated and summarized the core idea of the extract. I then grouped the collected notions, as in this example to favorable aspects and challenges. Lastly, I developed an abstraction of the groups in order to present the findings in this research report.

### 3.4 Trustworthiness

The trustworthiness of a qualitative research can be evaluated through the common, classic criteria originated from quantitative research: reliability and validity. Even though there is criticism of whether the criteria is suitable for qualitative research, they may still be partly applied. (Eriksson & Kovalainen, 2008, 291-296; Tuomi & Sarajärvi, 2002.) Due to the deficiency of these concepts, I also estimate the trustworthiness of the study by considering matters related specifically to the trustworthiness of qualitative research: the methodological weaknesses of the research process, triangulation, credibility, dependability, and transferability. (Tuomi & Sarajärvi, 2002).

*Validity* refers to how well the study represents the matters it should represent and how well the study answers the questions it aims to answer. Validity can be divided into internal and external validity. The internal validity describes the internal logic and how uncontradicted the study is, whereas the external validity estimates if the interpretation is extrapolated to irrelevant issues. (Koskinen et al., 2005, 254). The validity can be enhanced by employing several methods (Hirsjärvi et al., 2013, 233). Therefore, I have utilized several materials collection methods to ensure the validity of the materials. According to my estimation, the materials support the phenomena and the aims of the study well. The interviews were conducted and the analysis is made under the topic of startup activities. Also the complementary materials, such as reports and events, concern specifically the phenomenon in the focus of the study. Therefore, the validity of this study is quite accurate according to the terms of qualitative research.

*Reliability* describes how repeatable the results of the study are, in other words how easily the same results can be achieved with the same research methods. The phases of deduction should therefore be clearly expressed and constant in order to enhance the reliability. (Hirsjärvi & Hurme, 2011, 186; Koskinen et al., 2005, 159; 255.) I have reported the research process carefully and in detail, which is one demand for the reliability of the study (Hirsjärvi et al., 2013, 232). However, in qualitative research it is out of proportion to demand exact repeatability. In qualitative research, the role of the researcher is very significant and thus the background and individual knowledge of the researcher affect the analysis for example when choosing the most relevant themes and most interesting findings.

*Triangulation* can refer to applying different methodologies, methods, materials, theories or researchers. It ensures better validity of the study. I have applied triangulation of materials and triangulation of theories. I have also applied the member check, which refers to allowing the interviewees and other participants to check and verify if they agree on my interpretations. (Eriksson & Kovalainen, 2008, 293.) In seven cases, only one person in the company was interviewed. This leads to a triangulation problem, since the materials the interviews produce are always indirect information and they therefore represent solely the view of the interviewee (Koskinen et al., 2005, 106-107). All the information on other business units or functions of the interviewed companies is represented by the interviewees. Approaches, reasons and attitudes towards startup activity may differ inside the organizations and therefore my research materials may provide a narrow description of the manifestation of the phenomenon inside the interviewed companies.

There is also a more general triangulation problem when interviewing only the established companies, which in this case are only one party of the startup activities. However, the problem is not very significant, since my purpose is to explore the views of the established companies. Thus, the study represents the view of the big companies and I am well aware of the one-sidedness of the report. Therefore, I do not try to explain the relationship between established companies and startups or claim my research configuration is neutral or objective regarding the different parties of the startup activities.

According to Hirsjärvi and Hurme (2011, 184), the quality of the study should be observed *continuously* during the research process, for instance both when collecting and analyzing materials. In the materials collection, it was rather easy to follow the chosen methodologies. I had applied the semi-structured interview method already during interviewing and the observation was about observing on the content of the presentations. However, since I conducted content analysis for the first time, it was sometimes challenging to conceive the differences of categorization and abstraction. As a result, it may be that sometimes parts of the analysis are not as systematic as they could be.

*Generalizability* refers to *theoretical generalization* or *transferability*, but not to statistical generalization. (Eriksson & Kovalainen, 2008; Eskola & Suoranta, 1998.) Transferability asks if the research results can be extrapolated and extended beyond the context of the study. The



research results of qualitative research may be transferable if the contexts are similar enough. (Eriksson & Kovalainen, 2008, 293-294; Eskola & Suoranta, 1996; Tuomi & Sarajärvi, 2002, 136.) Thus, the ideas and findings of my study may be transferred in consideration of the context of similar organizations and similar startup activity. However, organizations are always different and the startup activities may vary greatly, and it can therefore be argued that the results are not always transferable to other organizations.

## **4 STARTUP ACTIVITIES OF ESTABLISHED FINNISH COMPANIES**

In this chapter I describe and analyze the key empirical findings of the study. Firstly, by mapping the discovered forms of startup activities, I preface the empirical phenomenon in question and thus ease the understanding of the rest of the findings. Then by listing and describing both the favorable and the negative aspects to startup activity I describe the reasons established companies have had to engage or not to engage in startup activity. The aspects also define the issues that established companies associate with their startup activity engagement.

The favorable and adverse aspects describe how companies view their startup activities in general, but not company-specifically. The company specific findings are introduced by categorizing the approaches that the interviewed companies had towards startup activity.

### **4.1 How to engage in startup activities?**

Forms of startup activities can roughly be divided into external and internal startup activities based on whether they happen inside organizations or whether they are conducted in collaboration with external organizations. The materials examined suggest that among the studied Finnish established companies, external startup activities are more common than internal ones. Every interviewed company had engaged in some external activity, but internal activities other than acquisitions are rarer. The division of internal and external startup activities is illustrated in Figure 10.

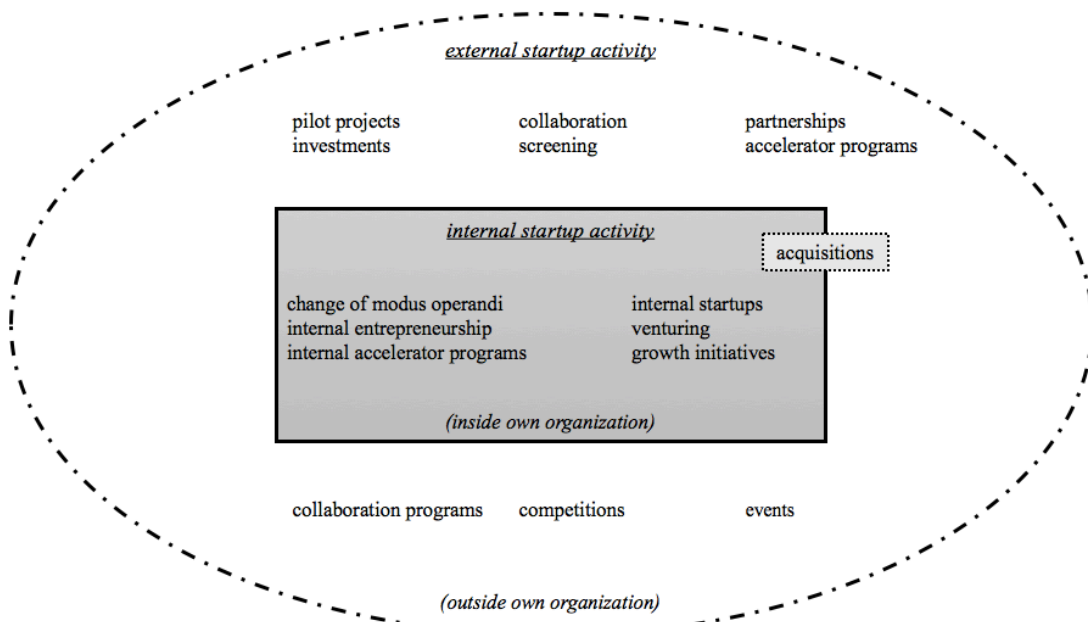


Figure 10 External and internal startup activities recognized in the interviews

In reality, most forms of startup activity contain both internal and external elements. The internal startups can co-operate with external startups (I1, 2016), id est practice external startup activity. Also external projects conducted with external startups need plenty of internal attention, resources and ambition (B2, 2016; C1, 2016; H1, 2016).

*“But then in my mind large companies should be prepared - - that when the project begins, you can’t in any case think that this is now some carefree work. Because it’s surely real work and it takes people’s time. In the very same way as any other project.”*  
(B2, 2016)

#### 4.1.1 External startup activity

Engaging in an external startup activity means collaboration with external startups or activities which take place outside the own organization. External startup activities include various forms of collaboration from short experimental pilot projects to partnerships lasting several years. During the long partnerships, the partner startups may grow and turn into SME companies. A common way to put external startup activity into practice is to start with a small pilot project and continue to a partnership if the pilot is successful. (E1, 2016; J1, 2016). Own

accelerator programs, investments and startup screenings are also counted as external activity. Investments can be made either directly or for example through an industry specific fund (A1, 2016; B1, 2016; D1, 2016).

*“So [the company] has already in 2008 partnered with this one venture capital fund, which is in Canada, and it invests in companies in the field of renewable energy” (D1, 2016)*

*“But every now and then we have been thinking that should we participate financially; the other option is that we would invest in some fund. In a venture fund.” (B1, 2016)*

The discovered external startup activities also include subcontracting, competitions, hackathons and startup event participation. (A1, 2016; B1, 2016; B2, 2016; C2, 2016; D1, 2016; E1, 2016; J1, 2016; K1, 2016). The external startup activity is in most cases meant to produce new ideas for current and prospective products and services.

*“We didn’t have money to offer and we weren’t there [in the event] in an investor role. We were just looking around what the trends are, what people are talking about and what kind of know-how and products are on their way.” (C2, 2016)*

Some external startup activities, such as small experimental collaboration projects or hackathons, do not require plenty of resources, since they are only short-term temporary activities. These kinds of projects can be very small and therefore they are found to be easy activities to begin with. (D1, 2016; G1, 2016; J1, 2016; K1, 2016).

*“Normally it goes so that first we try something and start off with as small a project as possible. In order to see how it’s working, how personal chemistry is working, and what the result of the cooperation is. And well, if it looks promising, then we extend the scope and take the next project.” (J1, 2016)*

*“What we have discovered is that in these meetings [with startups] and so on, you can’t get a clear understanding. So the easiest way is to do a small pilot together. When you on the one hand see what the startup can do, which are their abilities, and on the other hand you see if it’s working with us. So that’s perhaps efficient. To do something small together.” (D1, 2016)*

Some external startup activities, such as collaboration or accelerator programs, can be coordinated by a third party. The third party may for example be a specialized boutique consulting company or another established company. (A2, 2016; D1, 2016; F1, 2016).

*“And then we have here during the past months, through a couple of examples, started discussions with one potential partner. About building us a specific accelerator program.” (A2, 2016)*

#### **4.1.2 Internal startup activity**

Internal startup activity refers to those activities which take place inside the organization of an established company and which are conducted with their own resources. The most evident form of internal startup activity are internal startups. Internal startups are growth businesses which are administratively located inside an established company (D1, 2016; I1, 2016).

*“Then another side is these internal startups. In 2014 we tried this internal startup model for the first time.” (D1, 2016)*

*“We too have growth businesses and at the moment we also call three of them startups. - - And, well, these are separate startups, growth businesses, which are here next to the parent company, but hundred percent owned by us.” (I1, 2016)*

The internal startups are in many ways rather independent units following looser rules compared to the main organization. They are given reliefs for example of the company wide reporting rules, short-term profit expectations and code of recruiting (B1, 2016; D1, 2016; I1, 2016). According to D1 (2016), internal startups are initiatives for growth businesses. Also I1 (2016) describes, that Company I's internal startups have to have the turnover potential of hundreds of millions euros. These notions suggest that internal startups are mostly used for seeking fast growth.

*“No, we are not talking about something like hundreds of thousands of euros or a couple of millions, we are talking about hundreds of millions.” (I1, 2016)*

Established companies can also themselves act as startups without having official and structural internal startups. According to B1 (2016), Company B has no actual and official internal startups but the operations of their venturing unit exploring new growth businesses are very similar to the operations of internal startups. The new businesses in the venturing unit have reliefs of the company wide processes, reporting rules and short-term profit expectations, just as the internal startups. (B1, 2016.) This suggests that the established companies may conduct more extensive and diverse startup activity than they express or

perceive themselves. Venturing can also be seen as startup activity through the perspective that established companies are acting *as* startups when venturing.

Startup acquisitions are a borderline case in the external-internal division. They can be seen as external startup activity first when screening and acquiring an external organization which then transforms into internal activity when the acquisition is completed. However, the post-merger practices differ among the interviewed companies. Due to the different post-merger practices, the influence the acquired startups have on the organization of the acquiring parent company differ. (A1, 2016; A2, 2016; H1, 2016; H2, 2016; J1, 2016.)

*“Well, it [the acquired startup] continues with its own brand. And integration, well, it hasn’t been that deeply integrated. So of course we aim to take over some administrative tasks over the years. That they are able to focus on their own specialty.” (J1, 2016)*

*“Case by case, it’s linked to, and above all it depends on how mature the business is. And why is the purchase done. So it’s case by case.” (I1, 2016)*

*“But then in digitalization, if you buy these companies, they are based on quite agile operations - - . So if we throw them here tightly close to us, they end up in a little too tight squeeze. So that’s what I’ve been thinking a lot.” (C1, 2016)*

The motive for potential acquisitions is not only the appreciation. When acquiring companies, established companies are mainly searching for other benefits, such as sight and access to new technologies.

*“But there are no clear guidelines. That we would be interested in the startup field in that sense that we would buy some targets. Which would go for appreciation and then at some point we would do an exit, not that kind of things. Rather, we have guidelines that those solutions which are linked to our business and could serve it, we are more interested in those solutions. Than in the appreciation of the startup.” (F1, 2016)*

#### **4.1.3 Time span of startup activities**

The length of the startup activities varies among the interviewed companies and also inside the organizations depending on which kind of project is in question. The startup activity as a company-wide operation, for example general collaboration with external startups, is seen as continuous in the long term (A1, 2016; B1, 2016; D1, 2016; E1, 2016; F1, 2016). Single

collaboration projects may be only a few week long pilot projects (D1, 2016; J1, 2016) or the collaboration may last several years as a partnership (A1, 2016; A2, 2016; E1, 2016; F1, 2016; KPMG, 2015, 12).

*“Well, it can naturally be, if we talk about these startup firms. If it’s a service firm and you need it every now and then, and if the need remains, so then the collaboration can last for a very long time.” (E1, 2016)*

*“So it was the first concrete example, we worked on that the whole year. And now we are thinking with [redacted] [the startup] how to go on with our collaboration.” (G1, 2016)*

According to J1 (2016), established companies may not even participate in minor pilot projects. Thus, startups may occasionally be the only realistic and available partners for short experiments of established companies. According to H1 (2016), smaller companies such as startups offer rather suitable circumstances for a continuous partnership.

*“And well, when it comes to the continuity with the smaller ones, we have been a significant buyer for them. So that they have developed their solutions together with us. And not just like made one service. If we buy from a huge player, they will do one thing and that’s it, the person [in the huge player] can continue doing something else. But with these smaller ones, it’s more about partnership. And that’s the big difference - -.” (H1, 2016)*

Also B2 describes how Company B is looking for continuous partnerships with startups:

*“You can see it so that we have now during the past six months made very close co-operation with one growth company. And before that we made an interview round in the autumn 2015. We were looking for one great partner, one startup, with whom we could think about more long-term development.” (B2, 2016)*

#### **4.1.4 Partners among others versus a special role**

A contradictory aspect on startup activity is how startups are considered as collaboration parties. Established companies may regard startups as partners among others or they may consider startups to have a special role among their partners. The special role does not necessarily stand for higher importance. It rather means that the established companies have recognized that the most suitable solutions for co-operating with startups differ from co-operating with other partners. When regarded as special partners, the special characteristics

and needs of startups are taken into consideration in the co-operation. The special role is recognized most distinctively among companies of the later presented category of strategic exploiters (D1, 2016; F1, 2016; I1, 2016).

When startups are considered to be partners among others, they mostly meet the same requirements as other partners. There are no or very few special arrangements for startup activity in comparison with collaboration with other companies. Thus, the co-operation is not necessarily adjusted for the special characteristics of startups. (J1, 2016; K1, 2016.)

*“So regarding a couple of firms we have also been looking at the financial situation and went through those reports and took our procurement also with us. And then there are these company backgrounds and so on. We want that continuity, continuity is what we want, it’s our criterion.” (K1, 2016)*

However, there might be special arrangements for startup activity in order to enhance the collaboration, but even then established companies are not specifically searching certain solutions among startups or the fact that a solution provider is a startup does not affect the decision.

*“Of course we have [special arrangements]. We collaborate with startups in a much earlier stage than with other companies. We don’t do commercialization and the development stage with startups like with other companies.” (E1, 2016)*

*“It can be anything, it can be a larger company, - - it can be a startup company, if it can offer the know-how to the collaboration so that we can build added value from it.” (E1, 2016)*

It is notable that not all companies regard startups either as partners among others or special partners. If the established companies find the startups mostly inadequate for their aims, the startups are mostly not regarded as potential or suitable partners for one reason or another. (K1, 2016.)

## **4.2 Favorable aspects**

I have identified five *favorable aspects* that the established companies represent on startup activity based on my empirical materials. The favorable aspects describe the reasons why the companies engage in startup activity. The reasons are varied and differ from a company to



another. The versatility of the aspects and experienced advantages describe the variety in which established companies view their startup activities. In addition, the aspects describe which topics the established companies associate their startup activities with and in which parts of their business they exploit them. The five aspects are: (1) *keeping up with the changes of business environment*, (2) *developing the business*, (3) *developing the organization*, (4) *repute advantages* and (5) *social responsibility*. The favorable aspects are listed briefly in Table 4 and described thoroughly in their own subchapters.

*Table 4 Favorable aspects on startup activity*

<b>No.</b>	<b>Aspect to startup activity</b>	<b>Description</b>
<b>1</b>	Keeping up with the changes of business environment	Link to the present and future progress.
<b>2</b>	Developing the business	New ideas, renewal, growth and strategy execution.
<b>3</b>	Developing the organization	Change in the modus operandi and enthusiasm.
<b>4</b>	Repute advantages	Brand and image.
<b>5</b>	Social responsibility	Supporting small companies as a major player of own industry.

The reported aspects are not company-specific. Characteristics of the aspects are found in several interviewed companies. The aspects are also not exclusionary: several aspects are occurring simultaneously, in parallel and overlapping in the same companies. Some of the aspects are perceived in advance and have been important in the decision making of whether to begin startup activities. Furthermore, there are advantages which are recognized only during and after the startup activity execution. These advantages can turn into reasons why to continue and extend the startup activities of the company.

#### 4.2.1 Keeping up with the changes of business environment

Changes in the operational environment cause pressure for established companies. Established companies find that technological solutions outside their core competence and the new ways of operating business are progressing very quickly. Particularly digitalization and digital solutions are felt to progress so quickly that the internal know-how and traditional ways of practicing collaboration are no longer considered to be sufficient: the supply for the new knowledge and ways of operating are thought to be found among startups. Startup activity is regarded as one concrete way of keeping up with the changes of the business environment and following what is happening in it. This is the aspect which is most easily found both in earlier empirical publications and among the interviewed companies. (A1, 2016; A2, 2016; Bonzom & Netessine, 2016; B1, 2016; B2, 2016; H1, 2016; KPMG, 2014; KPMG, 2015; K1, 2016.)

*"It has no other impact for our current business than this kind of, psychological small impact. So that we can say to ourselves and others that we are looking around us a little, as if, to the other side of the past." (A2, 2016)*

*"It surely keeps one awake." (J1, 2016)*

*"There's lots of knowledge and fresh thoughts outside. And you can't change the world from within our own company and home street." (C2, 2016)*

*"They bring to this selfsame zoo of dinosaurs that kind of reminding, that the world takes a different pace somewhere else, which is always a good reminder." (A1, 2016)*

The know-how of startups is associated with novel and even futurist business solutions. Hence, startup activity can be seen as a way of learning about the future of the industry and business environment. Additionally, startup activity can provide glimpses of other industries and their technological development, particularly of the digital solutions (B2, 2016; F1, 2016; H1, 2016; H2, 2016).

*"Maybe one could say that at the moment also the operational environment is challenging us. The retail business, - - but amongst other things the digitalization. Things there are progressing with an enormous speed. There is new technology which transforms the consumer behavior and business models. And so that we could be awake there and in the first place be part of the competition, we have to have this kind of innovation activity and collaboration with startups. They are absolutely critical." (F1, 2016)*

Especially companies that regard their industry as old-fashioned consider startup activity to be a certain kind of link to the present and future, a way to keep up with the fast technological and operational changes.

*“And well, I feel that we also have to always understand where the world is going and what our clients are doing. What they want, what they need.” (A1, 2016)*

It is noteworthy to observe that these companies do not consider their own industry to be yet changing fast but the wider business environment around them. The companies regarding their industry as old-fashioned also find old-fashionedness to be one reason of why not to conduct more startup activity (A1, 2016; H1, 2016).

*“Well I think that’s one thing, that we don’t perhaps have here in [the company] this culture. And we don’t have this culture in the whole industry, where startups would be taken seriously. They are not even recognized. Or perhaps they don’t come to our industry, perhaps they rather go to another industry.” (C2, 2016)*

However, Company D makes an exception to the companies of the traditional industries. It regards their industry as very traditional, but it is still practicing extensive startup activity and transforming their business through startup activity engagement. (D1, 2016.)

*“The understanding that this change must happen. That our whole industry is changing and that the future is notably more uncertain. And in a way we have to find new outriggers for our businesses” (D1, 2016)*

According to this aspect, startup activity is seen as a solution for monitoring the latest progress of the own industry and the latest solutions other industries can provide to one’s own business. The monitored progress can be both technological or service of its nature. (A1, 2016; A2, 2016; D1, 2016; E1, 2016; F1, 2016.)

*“Well, it’s more about that there is a need to find something new, a need to do things in a different way. And this startup co-operation is such a natural way to do it.” (D1, 2016)*

The more active view of exploiting the novel ideas and solutions of startups than only keeping up with the changes of the business environment is to seek business renewal (A1, 2016; A2, 2016; B1, 2016; B2, 2016; C1, 2016). This aspect is described more precisely in the following aspect of developing the business through startup activity.

#### 4.2.2 Developing the business

Established companies engage in startup activities in order to seek and generate growth and renew their old business. Growth and renewal are pursued both through renewing the own organization and through generating new businesses.

*“But the need came from how we can faster boost these kinds of selected growth business areas. Where we see a good potential, but which will drown if we put them elsewhere inside this concern.” (I1, 2016)*

Startup activities are also used for producing external novel and disruptive ideas (A1, 2016; B1, 2016; H1, 2016).

*“There are not often these enormous genius ideas which are completely disruptive. Those have happened too, but there could be more of them. It is sometimes better to take your checkbook and go shopping and searching for something exciting.” (A1, 2016)*

Other aspects to startup activity are also ultimately business-driven, but this aspect concerns most clearly direct business benefits. For instance, many companies are developing or have developed completely new types of services with the help of startups and thus advanced their business in a strong linkage with startup activities (B1, 2016; B2, 2016; D1, 2016; E1, 2016; F1, 2016; G, 2016; I1, 2016).

*“Our purpose behind the startup activity is to improve our competitiveness. So there is always a commercial business thought behind it.” (G1, 2016)*

Startup activity as a tool for developing business is viewed either as a part of Research & Development, Technology or Business Development function depending on the company. Startup activity engagement can also be business unit based, as is the case for Company B (B1, 2016). Startup activity can naturally be and often is practiced in several functions or business units (B1, 2016; B2, 2016; D1, 2016). However, many interviewees report that their startup activities are or have been strongly dependent on single individuals of the organization.

*“Basically everything appears through me. So that I direct. But then I’m not necessarily the person in charge in every project. But still, I’m always involved, in one way or another, and in most cases quite a lot.” (G1, 2016)*

Some companies are using startup activity specifically in their strategy execution. The representatives of Companies D, F and I consider the linkage between their startup activity and strategy direct and obvious. (D1, 2016; F1, 2016; I1, 2016.) The startup activities can also be interconnected with the strategy through strategic projects or programs, such as digitalization programs. In the companies that exploit startups through these kinds of projects, the startup activity itself is not considered as strategic, but the startup activity is regarded as a resource for the strategic program. (B1, 2016; H1, 2016; H2, 2016.)

Startup activity as a way of developing the business can be seen in an even wider perspective. Some companies experience that the startup activity of established companies can promote and develop the whole industry. In turn, the renewal, vitality and growth of the own industry are also found to promote the business of the own company in the long term. (B1, 2016; C1, 2016; E1, 2016; F1, 2016; H2, 2016).

According to this aspect, it is recognized that startup activity has direct business impacts and benefits. However, this aspect does not assume that the business impact of startup activity is wide or even notable. The aspect only interconnects the startup activity clearly and directly to the current and future business. B2 (2016) describes how essential the direct business impact is:

*“When you have very strong business goals like our project had. With the help of them you can justify the usefulness [of startup activity]. And the goals were thought already in the beginning. It pays off to think, even if it was just a tiny thing. So it pays off to keep in mind all the time, specifically in a big company, how you are going to take it to the business. And how it supports our development and how we are going to get the results.” (B2, 2016)*

#### **4.2.3 Developing the organization**

Startups are considered to be fast, agile and lean actors that are able to focus very intensively on certain issues. One of the main reasons for startup activity of established companies is to develop their organization towards this direction.

*“These more agile operations models and speed and agility and so on. The internal startups are also these kind of role models. And in my mind, there have been really good lessons and findings which we are now using also when developing our mature businesses and driving them forward.” (I1, 2016)*

Most of the companies discuss cultural change as one reason for their startup activities. However, the change also seems to be about change in the *modus operandi* and customs, not only in the culture and people. Thus, this aspect of developing the organization can be divided into an *operations-oriented view* and a more culture and *organization-oriented view*. This aspect is more human-centric than the previous aspect of developing business, since it emphasizes the import of learning, culture and customs, which are all practiced by individuals in the organization. According to this aspect, the business benefits will be reached through developing the organization and operations which in turn leads to business benefits.

*"- so the startup is able, if we spot an error or some improvement need to the solution, they do it during the same day or even during the same hour. They can fix things on the run." (F1, 2016)*

According to the operations-oriented view, the companies desire their operations to be faster, lighter, leaner and more focused. This is reached through transforming the customs of the organization, and the source of this change are startups and their mode of operations. The main aim is therefore not in the culture but in the desired operations. The culture change has instrumental value which leads to the desired *modus operandi*. Established companies may even purchase coaching and training from startups, for example on lean designing methodologies. (I1, 2016; J1, 2016.)

*"And that's where it all basically started, that we can bring agility to our own work. So we were looking for how to do things in a different way and faster." (D1, 2016)*

Even if the need for faster operations is recognized, the established companies are not planning to finish their traditional ways of operating. The established companies do not desire to transform their entire company into a fast, agile and lean organization. Some of the established companies recognize that the traditional way of operating business is still the most suitable for many of their purposes. This also applies to the collaboration partners: startups are not replacing the old partners, but rather forming a new group with certain advantages. (A1, 2016; F1, 2016; I1, 2016.)

*"Well, you need both. We drive forward with a steam engine but then we are constantly coming up with those faster vehicles and by combining these I believe we will reach the best outcome." (A1, 2016)*

*“- - well this traditional development model, in quotation marks. That the product development department takes the development responsibility of a product. And when the product is mature enough it's transferred to the sales department. When you have sold those a couple of pieces the delivery team starts to deliver them. That's the traditional model and it's always an alternative. We are continuously developing our own mature products with this process.” (I1, 2016)*

Positive effects on the organization, culture, and modus operandi are already reported. The startup activity is found to improve the spirit of the organization and to infect the people involved in it with enthusiasm. For instance, Companies A, B, F, G, I and J describe the energizing and inspiring effect of startup activity. (A2, 2016; B1, 2016; B2, 2016; F1, 2016; G1, 2016; I1, 2016; J1, 2016.) According to F1 (2016), startup activities have also improved the internal cross-functional and cross-business collaboration inside the company. The inspirational and spirit-raising effect of startups is also found in the reports of KPMG (2014) and Confederation of Finnish Industries (2014).

*“In my opinion it has had a great effect especially on the mentality of the North American organization. Because we have been able, and Americans are so good at it, to say that well look, we participate in this and we want to find new things. And perhaps then people inside our company get some strength and a confidence boost that this reaching for new innovations is not just talk.” (A2, 2016)*

*“It [startup collaboration] creates that kind of positive. And working with these startup companies is very energizing.” (B1, 2016)*

*“Then you get enthusiasm from startups. They are not that stuck in their own things than most companies. And the eagerness spreads also to the rest of the team.” (B2, 2016)*

Developing the organization can also mean adopting operations models directly from startups.

*“- - we have developed here inside our organization, actually from the startup world, a certain copied concept. To our innovation operations. We talk about these boot camps.” (B1, 2016)*

In addition, startup activity can also be a driver for structural organizational changes. According to D1 (2016), I1 (2016) and F1 (2016), organizational changes have been made in Companies D, I and F in order to promote startup activities. Also KPMG (2015, 3) notes that specific innovation teams are beneficial for external startup activities, since they often

facilitate the contacting done by startups. This may encourage for organizational changes in order to foster startup activity engagement.

These findings suggest that startup activities of established companies are employed in developing the organizations in terms of culture, practices and *modus operandi*, spirit and organizational structure. There is already evidence on positively experienced effects, particularly in the fields of new practices, spirit and organizational structure. The aim of developing the organization and the *modus operandi* through startup activity engagement is also emphasized in empirical reports (INSEAD, 2016; KPMG, 2014; KPMG, 2015; Nesta, 2015). However, the reports do not itemize the various ways of organizational development.

#### **4.2.4 Repute advantages**

Startup activity is considered to improve the company brand and image. The image benefits are recognized regarding customers, employees, potential employees, potential partner startups and investors. For instance, according to I1 (2016), the company needs to develop its employer image since they are recruiting plenty of new employees. In order to make Company I an attractive employer, it has to offer divergent options inside one established organization. The startup activities help to attract potential employees who are not regarded as established company-minded employees.

*“The brand and developing it. It’s perhaps also one point of view. It’s also quite close to culture and the point of view that we want to change the patterns of doing things and the culture of doing things. And by the way, by brand I mean not only how we are seen here in this market. It has perhaps even more importance in our employer image towards potential employees.” (I1, 2016)*

According to B2 (2106) and F1 (2016), the established company can provide brand benefits for the partner startup in order to help it to obtain investors and established customers. This finding suggests that the repute advantages may function in both directions. It is also notable that not all companies actively exploit brand benefits. Some companies are neutral or even quiet about their startup activity and do not actively communicate about it, for example in their annual reports. However, listed companies have to strictly obey the communications regulations aimed at them. For example, a listed company has to inform issues which have a significant effect on the financial standing and the future of the company. Moderate



communication about startup activities may therefore be literal interpretation of the paragraphs of the law. (E1, 2016.) Hence, it may be challenging for listed companies to gain all of the brand benefits of their startup activities.

#### 4.2.5 Social responsibility

Some companies find that as established, dominant companies in their industry, it is their responsibility to support smaller companies. They feel that they have to help small companies in order to promote their own industry, in other words to keep the industry vital and renewing. Thus, the established companies do not necessarily consider relevant to act responsibly particularly towards startups. They consider a wider, solidarity perspective towards their industry or even towards the national economy. Also giving small companies opportunities for partnership is in itself regarded as a responsible action, since small companies, such as startups, are not always seen as potential partners. (B2, 2016; C1, 2016; F1, 2016; H1, 2016; H2, 2016; I1, 2016.)

*“And well, it’s crystal clear that it’s a difficult situation if the biggest player would not be interested in anything at all and still wanted the industry to develop. So - - the startups can’t evolve if the current players are not essentially involved in that.” (C1, 2016)*

*“So if we succeed in this, we will extensively promote the vitality of this society and of Finnish companies. And well, the Finnish national economy, when we are involved in this activity. So it’s perhaps that kind of broad, big thing which is not directly linked to our business but to the society. So this is very relevant.” (F1, 2016)*

Some of the established companies appear to reflect their responsibility towards startups in how they can help their partner startups to proceed. The established companies want to offer their partner startups reference stories in order to help them to acquire new customers and investors, to aid them to internationalize themselves and to offer continuity in the partnership in order to secure their work load. (B1, 2016; F1, 2016; H2, 2016.) The concept of being a platform or simulation environment for startups is also linked to the aspect of social responsibility. As a platform established companies can provide small companies more chances to develop their businesses (C1, 2016; F1, 2016).

*“And then of course, the continuity is very important for startups. So that it’s not only a short-lived development project but that they would get in to the industrial co-operation*

*and grow through that. And potentially use us to get gearing, to get growth funding.” (H2, 2016)*

*“We too wanted to try and start to think about how these innovative growth companies could feed us and bring us ideas. And then the other way around, how we could offer a kind of development platform for startups.” (F1, 2016)*

One part of the social responsibility of startup activity are the financial matters. According to B2 (2016) and F1 (2016), startups are sometimes considered to be inexpensive or free collaboration partners, but it is still important to pay startups in the same way as to other partners and not have them to work for free. It is described simply as a question of fairness.

*“To my mind, it’s not fair to work for free. So for instance we were ready to pay a nominal amount of money also from the sketches. And from those first light offers. So it’s not fair and I do not in any case want to give that kind of image that big companies use startups because they are somehow cheaper.” (B2, 2016)*

*“So overall we have ensured that we are able to do this [startup collaboration]. We have directed some resources to this and also paid the startups for the exercises we have had with them, - - . So with us, there has not been a need to work for free.” (F1, 2016)*

However, the social responsibility aspect is a side issue in startup activity engagement. Startup activity is not considered to be charity work but actual business activity. Social responsibility is therefore not the main aim for any of the interviewed companies, but startup activity is recognized to be beneficial also in this non-financial and indirect manner alongside pursuing the primary business aims. (B2, 2016; F1, 2016; H2, 2016; Confederation of Finnish Industries & TEKES, 2014.)

*“One point is that we can’t have this kind of corporate responsibility organization here which helps others, sort of under a corporate responsibility umbrella. That’s not the point either.” (C1, 2016)*

### 4.3 Challenges

In addition to the previous favorable and positive aspects, established companies are reporting many *challenges* regarding their startup activity. These six challenges form *the skeptical aspects* of startup activity. They include aspects describing the pragmatic challenges and the principled reasons why to not conduct startup activity. The aspects describing the practical

challenges are (1) *encountering and finding the startups*, (2) *financial matters* and (3) *cultural challenges*. The aspects describing the principled reasons are (4) *risky partners* and (5) *the effect of industry*. The aspect of (6) *the impact of management guidelines* is describing both practical and principled reasons.

*Table 5 Challenges of startup activity*

<b>No.</b>	<b>Challenge</b>	<b>Description</b>
<b>1</b>	Encountering and finding the startups	How to find the potential partners and how to recognize the most suitable ones
<b>2</b>	Risky partners	The continuity of the business is uncertain.
<b>3</b>	Financial matters	Differing preconceptions on financial participation of established companies.
<b>4</b>	The effect of industry	Experienced industry-specific challenges hinder the startup activities.
<b>5</b>	Cultural challenges	Different operations customs.
<b>6</b>	The impact of management guidelines	Lacking guidelines and resources.

As the favorable aspects, all the presented challenges or skeptical aspects are found in many companies and are therefore not company-specific. The aspects are not exclusionary either: they are occurring simultaneously, in parallel and overlapping in the companies. The found aspects describing the challenges are listed and described briefly in Table 5 and more thoroughly one by one in their own subchapters.

### 4.3.1 Encountering and finding the startups

In order to conduct external startup activity, which is more popular than the internal one according to the research materials, the established companies have to find suitable startups. The encounters between established companies and startups may be challenging, since the ways of searching and finding vary widely. Some of the established companies are actively contacted by startups and often every collaboration project or relationship starts from the initiative of startups (C1, 2016; C2, 2016; F1, 2016). However, according to G1 (2016), even if Company G has been visibly active towards startups, no startup has ever contacted them and therefore G1 hopes more activity from startups. Also according to H1 (2016), Company H desires a more comprehensive coverage among startups in order to attract potential partners.

*“I don’t think any startup has called us. So it really goes the other way round. Perhaps their marketing has not developed to the level where it should be.” (G1, 2016)*

*“So they should come and communicate their good news in a completely different way. Through various forums. I can’t find them all on internet. It starts more so that I hear from somebody, it goes as word of mouth.” (G1, 2016)*

The successful encounters may happen by chance, as was the case for Company F in one of their first large projects with a startup (F1, 2016). This means that the activity of startups towards the established companies is important in order to generate startup activity engagement.

*“And partly there is also a game of chance, when we talk about startups. Like I said this example of [redacted] [the startup] is that we didn’t actively search for that kind of solution then. It just happened to be on a plate and they knew how to sell it for us and so it started. So it’s much about a game of chance too.” (F1, 2016)*

*“These come up more in the way that they get some occasional publicity or that you bump into them at some event.” (A2, 2016)*

When the established company has found interesting and potential startups, another reported challenge in the encounter is how to recognize the realistic know-how and abilities of startups and thus knowing with which startups to co-operate. (B2, 2016; D1, 2016.)

*“When it comes to startups, they are on such different levels and how do you then find out who really has something to offer? Because, well, startups, they are of course leaning forward when selling. So in this regard, do they have what they promise?” (D1, 2016)*

*“Well, we have had some cases where we have discovered some issues at the time we have already started the collaboration. That the startups haven’t quite been on the expected level, that technology and so on isn’t under control. Then we have stopped those operations we have had.” (E1, 2016)*

Also KPMG found out that according to 56% of their respondents, finding the right startups to cooperate with is difficult. The encounter challenge is bidirectional, since it is reported that it may be difficult for startups to find the right person inside the corporation to proceed with (KPMG, 2014.) Furthermore, according to KPMG (2015, 3), establishing the collaboration from the first meeting lasts circa 9,4 months, which also complicates the encounter of corporates and startups. The encounter may also be difficult since corporations do not publicly communicate which kinds of startups they are looking for and how they prefer to engage in startup activities.

However, many of the companies report that they have continuously been contacted by startups. This depends either on that established companies have gained good reputation among startups or that they are major players of their industries nationally or also recognized internationally, or both.

*“Well, we also have very diverse ways for searching. But then of course, our company has also started to be well-known anyway, also outside the Finnish borders. We are contacted [by startups].” (E1, 2016)*

#### **4.3.2 Risky partners**

Established companies consider small companies, such as startups, to be risky partners. There are several risks that may cease the business of a startup and thus jeopardize the delivery reliability and service security of established companies. Knowledge is concentrated to a few key persons, funding is often on an unreliable basis and technologies and products are novel and untested. Financial and temporal stability and duration may be required from the startup partners, which may mean that fledgling startups are rejected. (B2, 2016; D1, 2016, F1, 2016; H1, 2016; K1, 2016.)

*“But in the small ones, if a key person leaves, the skills can drop to zero. The risk is bigger.” (H1, 2016)*

The most concerning issue is the unreliable continuity of the business of the startups. If established companies partner with startups and distribute their solution in their products or services, how can they assure their customers that the solution will function in the years or in some industries in decades to come? When partnering, the established companies do not acquire the know-how of their startup partners, and they are hence dependent on the partners and their survival. Established companies appreciate stability and continuity, which may be difficult for startups. (D1, 2016; F1, 2016; K1, 2016.)

*“Then we are again in the situation that you are developing products for customers and you don’t know if it [the startup] is still standing or not. In that case we should create a backup plan for how we are going to work. And on the other hand, when customers have learnt to trust us, how are we going to handle this situation.” (D1, 2016)*

Also the small work capacity of startups may cause problems for established companies, especially when subcontracting from startups. Established companies sometimes need volume in their orders, but small startups with only few employees cannot supply large orders or an extensive project. (J1, 2016.)

The challenges of organizational immaturity have also been reported as one of the key challenges in the study of KPMG (2014). However, established companies find startups attractive and are therefore constantly trying to invent ways how to exploit startups and bring their solutions to their traditional business. Furthermore, even though startups are considered to be risky partners, startup activity may also reduce the risk level of the own business.

*“- it’s a quite slow and a quite risky way, to go and familiarize by ourselves with all the trials. We rather buy the job somewhere outside, from those who already know how to do it. Then we can do a selection: is this the right partner or could this technology in question be something that we should focus on ourselves too.” (J1, 2016)*

#### **4.3.3 Financial matters**

Financial matters may cause difficulties in terms of scarce resources of established companies and preconceptions of startups. Several companies report that collaboration negotiations

easily end due to disagreements of the amount of the financial participation from both parties. (A1, 2016; B2, 2016; D1, 2016; E1, 2016; G1, 2016.)

*“And when you ask about challenges. Very often the discussion either starts with or turns to the money issue. The discussion culminates to that issue, that well, now someone should start to put euros on the table. And then the hard thinking begins that okay, who is going to sponsor this thing.” (C1, 2016)*

*“Startups often have a good idea, but little money. We just in principle don’t say ‘here you are, one hundred or a half million, try if that works and give us a stake from your company’. We don’t do that.” (C2, 2016)*

According to the interviews, the established companies seem to prefer collaborative solutions than only sponsoring startups with large amounts of money, which for startups seems to be a common approach.

*“Then we have had situations where we have progressed without any huge investment efforts. We have progressed by helping with facts. We have for instance developed a test plan together with other parties and financed that. And in the end the money that we have provided has been a fraction of the sum with which they have first approached us.” (C1, 2016)*

The established companies consider that it is usual for startups to assume that established companies will contribute with remarkable amounts of money. They also find that many startups have unrealistic expectations of the value of their products, which generally are unfinished for end users and still inapplicable for mass production or distribution. (A1, 2016; B2, 2016; D1, 2016; E1, 2016; G1, 2016; J1, 2016.) This notion, as every notion in this research, is a one-sided description from the standpoint of established companies and is therefore not an objective bilateral representation of the matter.

*“Maybe something that you can see is that startups, when they think they got a foot in the door, before there are any indications for value, they might suppose that we are some kind of a payment machine for them.” (D1, 2016)*

However, some established companies find it important to pay startups equally as to their other partners and to reserve a real budget for pilot projects (B2, 2016; D1, 2016; KPMG, 2015; 7). Thus, the challenge of financial matters is rather about the different assumptions of the corporations and startups than about the unwillingness of the corporations to pay.

#### 4.3.4 The effect of industry

Several companies describe their industry and its customs as one reason of not conducting more startup activity. The own industry may be regarded as old-fashioned or the conditions too demanding for most startups, or the companies have not found enough startups from suitable industries. (A2, 2016; B1, 2016; H1, 2016; H2, 2016.)

*“I guess one thing is that perhaps in [redacted] [Company H] there is no such culture or even in the whole industry, where you would take the startups seriously. First of all, you don’t even recognize them. Or they don’t come on to our industry, perhaps they rather go to somewhere else.” (H1, 2016)*

Also the experience and nature of startups matter. Established companies find that it would be important for startups to understand the foundations of the industry they are co-operating with.

*“Well of course in our industry you have to have some muscles. You have to have experience from this industry.” H1, 2016*

*“It’s quite a threshold for startups to come here. And we can’t use that much time for teaching. You should be able to jump as it were a moving train. That’s why the medium-size and small companies are definitely more potential partners than startups.” (H2, 2016)*

*“It’s about one out of ten startups, who would have possibilities in our industry, who themselves seem to perceive the opportunity. Perhaps here the paths are not crossing among the actors in the existing markets and these startups. As far as our industry is concerned.” (A2, 2016)*

*“It’s often that the approval processes and such take so extremely long in different companies”. (B1, 2016)*

However, Company B also appreciates startups with no experience from their own industry, since they value the fresh view these kinds of startups can offer.

*“Firstly we thought about our own goals and set some objectives. For instance that the upcoming startup would not have done anything for our industry. So here we took a stand, we wanted their strength to be that they haven’t done forestry at all. Which means that we get a fresh pair of eyes looking at the whole industry.” (B2, 2016)*



However, Company D is an exception regarding the effect of industry. It describes its industry as traditional and old-fashioned, but the company is still extensively engaging in startup activities. (D1, 2016.)

#### 4.3.5 Cultural challenges

The cultural challenges in the startup activity of established companies concern the both parties. The cultural challenges that startups cause include challenges in the operating speed, oversimplification, adhering to company code and tendency to overestimate the readiness of their solution. The cultural challenges among established companies themselves are mainly about operating speed, disinclination to change the company or industry customs and differing conceptions on the readiness of the startups' solutions. (A2, 2016; B2, 2016; F1, 2016.) In addition, according to A2 (2016) and F1 (2016), startups are focused on their own business and sometimes have difficulties to take into account the wider circumstances around their solution. There might also be challenges of trust due to the different cultures.

*“Perhaps from our perspective, one challenge has been this culture that we would have taken advantage of startups, - - to broadly take advantage of startups. So there might be some sort of trust issues. Especially from the other perspective. I think small companies don't perhaps trust in corporations.” (C2, 2016)*

The challenges which originate from the cultural differences are often mentioned interrelated with processes and systems, particularly IT systems (B1, 2016; D1, 2016).

*“This was actually quite an interesting thing, it seemed that we in our team were the ones delivering these new IT issues. We as such don't have anyone who would have in-depth knowledge in IT, but the new IT issues came through these startups since they were doing things in a new, different way, which completely differs from the old IT legacy.” (D1, 2016)*

*“Perhaps another thing that you should be prepared for is IT issues. What you use for communication and document management. And in the first place that the system development isn't going in the traditional mode. And well, that you are ready to think about those new solutions.” (B2, 2016)*

According to B2 (2016), established companies need to fasten their processes when operating with startups. The indecisive behavior and bureaucracy of corporations is found to be one of the greatest challenges of the collaboration according to KPMG (2014). One of the cultural

difficulties in startup activity is the way of planning projects either precisely or long-term in advance (A2, 2016; B2, 2016; D1, 2016).

*“Well it’s quite hard to think milestones for 16 months. So almost every project that we carry under this digitalization headline, we approach them with this kind of digital minimum viable product thinking. And to adopt this [thinking] is surprisingly hard for many who have not worked in this kind of an environment.” (A2, 2016)*

The cultural differences are fundamental. Both KPMG (2014) and A2 (2016) describe that the operating circumstances and customs of startups and corporations are almost opposites to each other and something completely new for those who are beginning their startup activity engagement.

*“And now when these two operational cultures meet, every project hasn’t necessarily proceeded as you could have thought. So there has been toing and froing about what to do, because we have never done anything like this before.” (A2, 2016)*

#### **4.3.6 Impact of top management guidelines**

The impact of top management guidelines is highlighted as the fundamental requirement of startup activity engagement, and particularly of extending startup activities.

*“But maybe I would point out the will of the very highest management as the most critical factor. Then there is a real definition of policy and on the other hand a real mandate for these developers and doers to do things. That the company seriously wants it.” (F1, 2016)*

*“In our case [redacted] [a management group member] has been a great sponsor. It’s really good that there is someone in the top management who trusts on the fact that development work is worth doing.” (B2, 2016)*

Top management members have the power of allocating resources and thus either enabling or impeding the startup activities in the lower organizational levels. However, no materials source suggested that the management would intentionally impede the startup activities of the company. Rather, it is about not making decisions on questions regarding startup activities. The organizations seem to hope for discussion and more explicit guidelines from the management about how to exploit startup activities.

*“If the management doesn’t support and say that ‘hey, it’s worth to go for these initiatives’, the employees, we office workers and as far as middle management, we are like ‘damn, this is extra work’.” (B2, 2016)*

However, companies do execute startup activities without clear top management guidelines or direct, proactive support of top management. In the beginning, Company D (D1, 2016) commenced and developed its startup activities without top management support, and then the engaged activities convinced the top management. Later startup activities became on the agenda of top management and were highly favored. Company C (C1, 2016; C2, 2016) reports that their startup activities would benefit greatly from more elusive top management guidelines about startup activity, but also notes that the company is perhaps not yet mature enough for more extensive startup activities.

In addition, it is not only the management guidelines which matter in the organizational levels when extending the startup activity engagement. According to B1 (2016), it is useful to build the startup activity engagement in a bottom-up direction.

*“So we have built up this in a bottom-up direction. I think it’s good because it’s like a process, you can’t really build it from above. Otherwise anything remarkable will never arise from it. That enthusiasm must be created inside the organization - -, and in my opinion we are doing well right now. You must have patience too. You can’t wait too much too fast but still you must progress systematically. That’s actually our goal.” (B1, 2016)*

Evidence to the impact of top management support is also found in the reports (Confederation of Finnish Industries & Tekes, 2014; KPMG, 2014). It is also noted that specific innovation teams may lack the legitimacy of conducting and extending startup activities in their organizations (KPMG, 2015, 3). This too denotes that the support and guidelines of management is significant in order to foster startup activity engagement.

### **4.3 Categories of startup activity engagement**

The foregoing aspects describe how varied themes established companies associate with their startup activity. The aspects are topic-specific, whereas the categorization of startup activity is created on the ground of company-specific research results. The company-specific results were compared and merged with interviewed companies with similar results. Finally, four

categories describing the startup activity of the interviewed established companies were recognized and named. In this categorization I describe how extensive startup activity the companies of the different categories conduct, how the companies view their startup activity, and what kind of entity the startup activities form in the companies. The recognized categories and the classification of the interviewed companies is listed in Table 6.

*Table 6 Categories and classification of the interviewed companies*

<b>Category</b>	<b>Company</b>	<b>Industry</b>
<b>1. No startup activity</b>	K	machinery
<b>2. Opportunists</b>	A	building products
	C	energy
<b>3. Special know-how exploiters</b>	B	forest
	E	pharmaceuticals
	G	recycling
	H	technology
	J	electronics
<b>4. Strategic exploiters</b>	D	energy
	F	retail
	I	IT services and solutions

The categories are presented with the help a list of attributes concerning startup activity engagement. The attributes of each category are then described and discussed. At the end of every category, the attributes are summarized in tables. The attributes used for discussing the categories are listed in Table 7.

Table 7 Attributes for discussing the categories

No.	Attribute describing the startup activity
1.	Forms of startup activities
2.	How systematic the approach is
3.	Time span
4.	Top management attitude
5.	Recognized benefits
6.	Recognized challenges
7.	Estimated impact on the current business
8.	Future plans
9.	View on startup activity

The interviewed established companies can be divided into four categories or groups regarding the nature and phase of their startup activities. The first group, consists of one company which cannot be classified as opportunist. There was one company, Company K, which did not conduct almost any startup activity. This category is therefore called *no startup activity*.

The second group, the beginners of the startup activities, is *opportunists*, who are practicing disorganized and occasional startup activity. Companies A and C are classified into this category. The third group is *special know-how exploiters*. They are aware that startups have expertise they need and they already know how to exploit it. The second group can be divided further into two groups: those who are seeking ways to increase and expand their startup activities and those who are content with their present situation, in other words who currently do not have any reasons to proceed further. The companies classified as special know-how exploiters are B, E, G, H and J.

The last and most advanced group is *strategic exploiters*, who have linked their startup activity directly to their strategy execution. These companies have sponsors in the top management and also clear management group responsibilities for their startup activities. The companies classified as strategic exploiters are D, F and I.

#### 4.3.1 No startup activity

Company K has been contacted by startups and it has had meetings with potential startups. However, the negotiations have not proceeded further and thus Company K has not engaged in startup activities. (K1, 2016.)

*“Well mostly technology, mostly new technologies, new services. It [the contacts] is mainly about digitalization. IT and digitalization are the topics that the contacts concern.” (K1, 2016)*

Company K is sort of interested in startups: neither their management nor employees purposely prohibit startup activities or have a principle of not engaging in them. They simply have not yet met suitable and potential startups to collaborate with. (K1, 2016.)

*“But I don’t think anyone has anything against it, if we just find a good product and a good concept, so why not.” (K1, 2016)*

The representative of Company K reports that it is challenging to discover what the startups truly have to offer and what skills and capabilities they have. If there is no evident need for the solutions of startups and the understanding of the capabilities of potential startup partners is elusive, cooperation does not start.

*“There have been contacts, so it’s really hard to find the best ones. They may have good Power Points and good presentations --.” (K1, 2016)*

The reasons for not continuing negotiations with startups have on the one hand been the uncertainty of the real knowledge and capability of the potential partners, and on the other the uncertain continuity of the business of startups. Company K treats startups similarly with other types of potential partners. The uncertainty of the starting businesses has therefore appeared as an unacceptable characteristic of a potential partner. (K1, 2016.)

*“Well perhaps in some cases we have been thinking about the continuity of the startup in the long run. When we buy, let’s say some feature in the software or some software product, we really try that the supplier would have continuity on the horizon. And with good financial standing in this sense that we get support from the component supplier.” (K1, 2016)*

However, Company K has organized a hackathon and the experience was considered to be very positive. The participants of the hackathon were not actual startup companies, but they were organized in startup-like teams. (K1, 2016.)

*“Then we said to one that ‘well okay, come to our hackathon weekend and show what you really can do’. It was a great opportunity to see what the teams really can do, those companies, and not only that they have good sales Power Points.” (K1, 2016)*

There is an interest in startups, but there has not yet been a special need that startups could have solved and the company has not yet found suitable collaboration partners. (K1, 2016.) Since there is only one company which does not conduct nearly any startup activity, I do not present a summarization of the attributes of this category.

#### **4.3.2 Opportunists**

The category of the smallest-scale startup activity is opportunists. These companies do not have any systematic approach to startup activity: the activity is done by chance and familiarity of own industry. The opportunists are either experimenting their first trials with startups or they have conducted small projects for some time. They are still rather familiarizing themselves with startup activity than actually exploiting it in their business. (A1, 2016; A2, 2016; C1, 2016; C2, 2016.) As A1 (2016) describes, Company A is at the moment aiming to explore and understand what kinds of startups there are in the proximity of their industry.

*“We still believe that the startup world is such where we can potentially find new ideas and we are continuing to scan it with an open mind.” (A1, 2016)*

The forms of the startup activities vary among opportunists. Company A has conducted collaboration, acquisition, investments, screening and attended startup events (A1, 2016; A2, 2016). Company C has conducted collaboration, investments, startup acquisitions, competitions, as well as attended events and hosted one hackathon event of their own (C1,

2016; C2, 2016). Company C was first a part-owner in a startup for five years, which lead to the acquisition of the startup (C2, 2016).

*"Yes, we had a good view to the operations through board membership." (C2, 2016)*

Both companies are mainly unsystematic in their startup activity, but planning to organize it to a more systematic direction. According to C2 (2016), Company C is not mature and suitable enough for more structured startup activity engagement. However, it has begun to structure its internal innovation and development processes, which may also enhance startup activities. (A1, 2016; A2, 2016; C1, 2016; C2, 2016.)

*"I would say that there is nothing that systematic. Nothing systematic comes to my mind. That we would have searched particularly for a startup when I've been here. So they have been looked for and sifted with interest. But I don't know anything that would have ended up with some systematic activity afterwards." (C1, 2016)*

The encounters happen mainly by chance when startups contact the companies or when someone in the organization hears or sees something interesting. Company A has only been contacted by a few startups, and Company C relies mostly on the activity of startups. (A1, 2016; A2, 2016; C1, 2016; C2, 2016.)

*"But the uppermost, the only at all systematic operations model is that we have a certain number of people and when we go around the world. And we are all the time as antenna if there happened to come along something that looks interesting." (A2, 2016)*

*"Probably there is some kind of an external demand and pressure. That for now, it really goes in the direction that they contact us." (C1, 2016)*

Company A has since 2013 been active in the United States concerning open innovation and therefore also active in the startup world. Elsewhere, Company A's first steps and planning of startup activity have started in 2014 and the first acquisitions took place in 2016. Now the aim is to organize the startup activity systematically also in Europe. (A1, 2016; A2, 2016.)

Company C also began its startup activity through open innovation and then met some startups coincidentally. During the last year, Company C has activated itself purposely towards startups. (C1, 2016; C2, 2016.)



The top management of opportunists primarily has a positive attitude towards startup activity. However, the startup activity is mostly not in their agenda otherwise than along with acquisitions and financial resource allocation regarding startup activity. (A1, 2016; A2, 2016; C1, 2016; C2, 2016.) In addition, the companies lack clear management guidelines about startup activity and thus the support from management may not be as systematic as it could be.

*“Well, certainly if there is a such message of how to act, how it would be worth acting or what it would be worth searching for. If this is very clear, then it’s a great opportunity and you can just link it [startup activity] to the processes. But there is no such clear message yet. Like when it pays off to cooperate or when it’s particularly useful, we have no this kind of specifications.” (C1, 2016)*

Company A clearly recognizes also the possibilities of developing their organization and operations through startup activity, whereas Company C does not experience such organizational benefits. (A1, 2016; A2, 2016; C1, 2016; C2, 2016.) The opportunists recognize the technology and digitalization know-how the startups hold and are interested in the new solutions they develop which could be applied to their industry. Thus, in that sense the opportunists resemble the special know-how exploiters. (A1, 2016; A2, 2016; C1, 2016; C2, 2016.)

*“So it’s opportunistic and it starts from these specific themes, which we are now up to. Especially this digitalization.” (A2, 2016)*

*“The disruptive ideas may come much more likely from there [startups] than, well, from this zoo of dinosaurs.” (A1, 2016)*

The organizations of opportunists seem to express resistance to change when meeting new operating models through startup activity. According to A1 (2016), Company A might lack the will to take risks and according to A2 (2016), the organization has had challenges when operating with startups. Also Company C has had challenges in motivating the businesses to startup activity.

*“Well, it’s probably so that it sounds quite interesting, just go on and do it. I haven’t heard that anyone would stop anything. It’s really that people don’t see the need if there is no actual need. - - They do what is current. And our team has to guess what is current after five to ten years, so we have different point of views.” (C1, 2016)*

Opportunists are uncertain about how they could use startup activity in their business on a larger scale. The companies have not yet decided how and where to systematically use startups and hence the startups are not partners among others. In reality, they are minor partners because they are not considered to be a choice for most of the needs. The opportunists face challenges in the internal guidelines and operations since they are not used to startup activity and they have not yet developed their own guidelines for startup activity.

*“Well, of course. It’s in a way a practice exercise as for how we can structurally work together with a company like a startup. And here we are desperately, like mad, trying to hinder this corporation from killing the whole startup.” (A2, 2016)*

The estimated impact of startup activity in the current business of the opportunists is very low. Since the actual startup activity is very recent, there are not yet many results and experiences of complete startup activity. (A1, 2016; A2, 2016; C1, 2016; C2, 2016.)

*“At the moment, it’s marginally small.” (A2, 2016)*

However, the opportunists are seeking solutions how to overcome the challenges of startup activity and revise their practices to meet the requirements of startup collaboration. Companies A and C are planning to develop their startup activity to be more systematic and to have more versatile forms of startup activity. According to A2 (2016), Company A is discussing the possibility of their own accelerator program coordinated by a third party.

*“Of course we need evidence, this is quite a new topic, only some years old for us. On the other hand, we need a few cases to celebrate success, it always brings faith and surely also increases the will of risk-taking.” (A1, 2016)*

*Table 8 Summary of the characteristics in category opportunists*

<b>Attribute</b>	<b>Description</b>
<b>Forms of startup activities</b>	Mainly collaboration and events, also acquisitions, investments, competitions
<b>How systematic is the approach</b>	No systematic approach
<b>Time span</b>	Started two – three years ago. Most activity during last twelve months.
<b>Top management attitude</b>	Primarily positive but no guidelines or in advance allocated resources
<b>Recognized benefits</b>	Producing new ideas, special know-how, organizational spirit, social responsibility
<b>Recognized challenges</b>	Top management guidelines
<b>Estimated impact on the current business</b>	Very small
<b>Future plans</b>	Develop the activity to a more systematic direction, discussions of own guidelines
<b>View on startup activity</b>	Something you should be interested in and experimenting

A summary of the characteristics of opportunists is presented in Table 8. As prerequisites for expanding their startup activities, opportunists mention young employees, results in the current activities and maturity of their company. The view on startup activity of opportunists may be described as something that is perhaps wise to be interested of, but something that they do not yet see as valuable enough. In addition, the positive effects or the organization is not yet ready to proceed faster. This category is called opportunists since the startup activity of the companies is not systematic but it is rather opportunistic: when a potential opportunity is discovered it may or may not be exploited. The companies have mainly not systematically created opportunities for themselves, rather exploiting the arising circumstances and encounters happening by chance. (A1, 2016; A2, 2016; C1, 2016; C2, 2016.)

### 4.3.3 Special know-how exploiters

The special know-how exploiters have recognized that startups hold some special know-how which is not always found in other organizations – their own organizations, universities or other companies than startups. These companies exploit the special knowledge found in startups both from their own industry as well as other industries. Hence, the startup activity of the special know-how exploiters may also be called substance collaboration or partnership.

*“We had this goal that we know the forests but we don’t know for instance the mobile world. And for that we needed a partner who knows how to do it in mobile. And that’s how it is.” (B2, 2016)*

*“We have a dialogic connection with these kinds of startup firms or small firms that have been running their business for a couple of years. Because they have special know-how that we don’t have and we both need each other.” (G1, 2016)*

*“So our startup collaboration, it’s focused on this digitalization, automatization, ICT and then on some special technologies, special materials.” (H2, 2016)*

*“We have collaborated with certain startups in the fields of special technologies. For example when we have explored the possibilities of augmented reality in our industry.” (J1, 2016)*

*“But this kind of special know-how, which has started as a startup and they have then been able to grow quite well thanks to their special know-how, they grow to firms which collaborate with us, produce services.” (E1, 2016)*

Every special know-how exploiter engages in several forms of startup activity. Company B engages in screening, collaboration, hosting their own events and attending events (B1, 2016; B2, 2016). In addition, according to B1 (2016), Company B is operating in a so called startup mode itself in new business areas. Company E conducts screening, collaboration and partnerships and attends events (E1, 2016). Companies H and J have conducted screening, collaboration and acquisitions (H1, 2016; H2, 2016; J1, 2016), whereas Company G has participated in a corporate venture program and engaged in collaboration and screening (G1, 2016).

*“In practice, it goes so that we have a project, sometimes it can be a smaller one, some technical trial, which is not even counted as a real project here at us.” (J1, 2016)*

The startup activity of special know-how exploiters is somewhat systematic in the terms of their own activity towards startups. They screen startups and actively meet them, participate in startup programs and organize public challenges for startups.

*“International partnering events are one place where you can find them. And then there also national ones. That is perhaps universal, and it would be worth to encourage Finnish startups to go to them. Usually to those, they get support money for some governmental institution if you go there.” (E1, 2016)*

However, their startup collaboration is also conducted in a more planned way and less by chance. The special know-how exploiters often know what they want from startups and are actively searching for it.

*“And we have bought many of these technology companies over the years, which have in a way replaced something. They are a little like fillings in your teeth so that in a way, you had had a technology gap. And then we have been able to utilize these technologies in our bigger portfolio in the worldwide presence.” (H1, 2016)*

However, the operations models of startup activities are not as advanced as strategic exploiters have. The special know-how exploiters might take the special characteristics of startups into account in their collaboration, since they have experience in collaboration and they have learned what works and what does not. However, internal approaches pursuing to systematize and turn the separate startup activities into continuous company-wide activity are not present.

*“But we don’t have any that kind of priorities or considered strategies there [in startup activity].” (B1, 2016)*

The startups are mostly not considered to be a special group of partners, in other words they are mostly seen as partners among others. The distinct feature of special know-how exploiters is focusing quite strongly on the special know-how instead of valuing the special characteristics of startups. Startup also mostly meet the same requirements as the other partners.

*“That startup thing in itself does not create value.” (E1, 2016)*

The time span varies, but some special know-how exploiters have a long history in startup activity. According to H1 (2016), Company H has done startup partnering in automation perhaps even 30 years and according to B1 (2016), Company B has collaborated with startups and engaged in startup-like activity for over ten years. Company E (E1, 2016) has collaborated with startups for approximately twenty years.

*“Actually, we have made some contracts even 20 years ago. Collaboration has just increased during the last ten years.” (E1, 2016)*

Representatives of G and J report that their startup activity engagement has increased in the last five years (G1, 2016; J1, 2016). Also according to B1 (2016), Company B has been increasing its startup activity engagement.

*“We have all the time aimed at extending our collaboration with the startup world in order to see how it can complement what we are doing here ourselves, or speed up development work. And the experiences have been very positive.” (B1, 2016)*

The top management of the special know-how exploiters is rather interested in startups and has a generally positive attitude on startup activity. Companies B, J, H and G have a management group member who is responsible for startup activities of the company as a sponsor, head of a project or who conducts it partly themselves. The management group responsibility denotes attention, allocated resources and direct top management support for the startup activity. The management group members responsible for the startup activity in Companies B and H possess the responsibilities through digitalization projects.

*“Well, in the first place, this digitalization is that we go through it in every management group meeting, and I lead that digitalization program, so we then follow that. And we also have our CEO, when I lead it [the digitalization project] as a director and I’m excited about it, we only have the CEO above me and he is very excited too.” (H1, 2016)*

However, startups are not mainly on the agenda of the management group of special know-how exploiters otherwise than through the digitalization projects or due to acquisitions or financial resource allocation.

*“Very little. It doesn’t come directly from our strategy.” (G1, 2016)*

*“Yes and then well, in strategy work we screen where we could find the best resources to execute the strategy. So then these previously mentioned technology startups may be on the agenda of the management group because of this.” (J1, 2016)*

Some of the companies recognize the cultural and operational benefits of startup activities, but some do not. The organizational benefits are described as learning, energy, focus and enhancing processes.

*“The strength of startups is that there is a powerful energy and the focus is on the actual making. And the will to achieve significant results fast. The process is not necessarily always the best possible, but it's compensated by the good will to proceed things. And in this sense their strengths complete us well, and then our own organization learns a lot in the process. That new course of action.” (B1, 2016)*

Company E has found collaboration with service startups beneficial, since it has allowed them to focus their own resources to more useful objects (E1, 2016). Thus, the operational benefits are not experienced through the different operations logics of startups, but through finding suitable partners.

*“We surely don't do it for charity when we buy those services, but it's good that there are these available. In that sense it accelerates our process. And you can think about that, since you have limited resources yourself. So when you have these available you can focus to develop your own resources to those things that are not that easily available.” (E1, 2016)*

Some special know-how exploiters report about resistance to startup activity in their organizations. B1 (2016) describes business units of Company B where resistance appears as “*sleeping beauties*” meaning that those units have not yet recognized the benefits of the startup activity and are therefore not enthusiastic about it.

*“Then we have these particular business units, which I call sleeping beauties, which haven't really woken up yet. They take their time and then, in the course of time, they will wake up.” (B1, 2016)*

The estimated impact of startup activity on the current business is very low. Some effect on the ambience of the organization is reported, but the impact on current business is described minor. (A1, 2016; H2, 2016).

*“Very small.” (H2, 2016)*

*“Well if you look at the wholeness now, you have to be realistic that the part is, well, especially if you look at the current situation, it’s rather small. But, strongly growing.” (B1, 2016)*

The special know-how exploiters can be divided into two groups: those who want to proceed and extend their startup activity and to those who do not feel any need for proceeding and who are content with their current activity. For instance, according to B1 (2016), Company B is considering venture fund investments and according to B2 (2016), there has been thoughts about how to transform the startup activity into a company-wide, systematic and continuous activity instead of single projects. However, it is not completely clear, in which kinds of projects startup activity would be applied inside the company.

*“Even in small projects we could open our doors and discuss with startups if they could help us. We could keep that in mind when we start those projects. That we would think ‘would this be possible’. So we could perhaps ask outside this house if there are [startups], since there are sure enough makers.” (B2, 2016)*

Also G1 (2016) considers startup activity to be a continuing and increasing phenomenon inside their organization.

*“I see that it will continue. But it will continue very likely as more intensive than so far. We really have to move on to the present, in the first place. Our industry is quite old-fashioned as business.” (G1, 2016)*

The stance special know-how exploiters have towards startup activity is rather eager and positive. Startups are mainly considered to be partners among others and extensive ways of engaging in startup activity are not explored. The view on startup activity may be described as a good source of specific knowledge.



Table 9 Summary of the characteristics of the category special know-how exploiters

<b>Attribute</b>	<b>Description</b>
<b>Forms of startup activities</b>	Acquisitions, collaboration, investments, venturing.
<b>How systematic is the approach</b>	Own activity towards startups, an intent for ongoing startup activity. Management responsibilities provide follow-up of the startup activities.
<b>Time span</b>	Experience from a couple of years to even decades long. Activity has mostly increased during the last years.
<b>Top management attitude</b>	Management group responsibilities, encouraging the organization.
<b>Recognized benefits</b>	Acquiring special know-how, enthusiasm,
<b>Recognized challenges</b>	Systematic continuity of startup activities, some organizational resistance to change,
<b>Estimated impact on the current business</b>	Very small.
<b>Future plans</b>	Polarized: eager to extend and try new activities or contentment with the current amount of activities.
<b>View on startup activity</b>	Useful additional source of special know-how.

A summary of the discussed characteristics of special know-how exploiters is presented in Table 9. According to C2 (2016), extending startup activity engagement has to be made through the results of current startup activity engagement.

*“Well, I myself believe in these pilots. And in the results you get from pilots. Either the results we get here at us or then through benchmarking from other companies. So it will surely wake people up. So it [increasing startup activity] will not happen with any declaration or these things.” (C2, 2016)*

#### 4.3.4 Strategic exploiters

Three of the interviewed companies are identified as strategic exploiters. Companies D, F and I significantly use startup activities in their strategy execution and they all have clear management group responsibilities for their startup activities. Company I is primarily seeking growth, F renewal and D both growth and renewal, according to their strategies. These companies have clearly recognized how to exploit the special know-how of startups in order to develop their businesses. In addition, during their startup activities, they have also recognized other indirect or non-financial benefits, which have become part of their reasons for executing startup activity. (F1, 2016; D1, 2016; I1, 2016.)

*“So it has clearly a strategic linkage, this our startup activity.” (F1, 2016)*

*“And then we also have at the moment, even defined in our strategy, that we want to be in this startup ecosystem, energy startup ecosystem, a major player in Finland.” (D1, 2016)*

*“Well, in my opinion it came from our strategy.” (I1, 2016)*

Companies D, F and I are all engaging simultaneously in multiple forms of startup activity. Company D has engaged in acquisition, collaboration and partnerships, made investments directly and through venture capital funds, participated in a corporate venture program, organized challenges, and attended startup events. In addition, Company D has internal startups and it has organized their own accelerator program with for example boot camps and jury. (D1, 2016.) Company F has collaborated and partnered with startups, participated in a corporate venture program, established their own internal incubator and participated in and collaborated with events. Company I has collaborated and partnered with startups, attended events and acquired startups. Most recently it has launched an internal incubator in order to screen and incubate new ideas of anyone wanting to become an entrepreneur inside an established company. Thus, strategic exploiters can also be distinguished from other categories in how systematic their approach is and how designed forms they use in their startup activity engagement.

These companies have clear objectives for startup activity and hence startups are not considered to be only partners among others. Companies D, F and I have specific, advanced operations models for startup activity and these models are designed to perceive the special

characteristics of startups. Strategic exploiters have recognized that the startup activity does not succeed with the same rules and customs as the traditional business.

*“And it’s actually depending on that, if the startups are going through the same channel than every other supplier, then it’s quite hopeless. If we find for them that own separate channel to cooperate through and have mandate to do that. So then it’s working.” (D1, 2016)*

The companies have also taken into account how startups will reach the established companies and the right persons inside the companies. For instance, Company D has an always open contact form for startups and Company F has planned the same solution. (F1, 2016; D1, 2016; I1, 2016.)

*“How we can try something easily, so that we will not in a way, mess up the existing system. And at the same time we shouldn’t set so heavy requirements to piloting, because if we do, they will not come true.” (D1, 2016)*

Company D has made its first startup investments in 2007 and in 2008 it joined a venture capital fund. Both startup investments were made in order to monitor technological development outside their own core competence. The discovered strategic alignments are very recent: Company D has a new strategy where the entrepreneurial startup activities have a major role since 2016, Company F since 2014 and Company I since 2016. Also the organizational changes made in order to foster startup activity are very recent. Thus, the extensive activity is still very fresh. (F1, 2016; D1, 2016; I1, 2016.)

*“So you could say that within a year, [startup activity] it has increased tenfold in the agenda of the top management.” (D1, 2016)*

The role of top management ambitions is significant for the startup activities of Companies D, F and I. The startup activity is on the agenda of the management group and in the interest of CEOs. Both Companies D and F emphasize the significance of the interest and participation of their current CEOs. All of the strategic exploiters have also made changes in their organizational structure in order to foster startup activity. Company D has established a new technology and ventures unit which is the only responsibility area of one management group member. Company I has established a new management group position for fostering entrepreneurship and startup activity. (D1, 2016; I1, 2016.)

*“So, actually, a couple of years ago our new or then new CEO [REDACTED] pretty strongly stated the importance of renewal and innovation activity for the success of the company.” (F1, 2016)*

The significance of management group responsibilities is also recognized strongly in Company I.

*“We have one cornerstone, which is that when we make certain choices in our strategies, they remain. The choices remain only on the Power Point level if you can’t find management responsibilities in the organization to those choices. But when they are main management responsibilities they are not some side issues in one’s job. - - If this is not in the strategy and if you can’t see it in implementation, so then it’s just dabbling something on the side which withers away and dies in time.” (I1, 2016)*

Startup activities are also interconnected directly to generating new businesses.

*“It’s now our task to produce new business starts for these growth projects, or for internal startups. In addition, we support the existing business to transform itself and do things in new ways.” (D1, 2016)*

Cultural or operational change can be seen as one of the business development aims regarding startup activities. The companies are pursuing culture or operations change since they believe it makes their organizations and thus businesses faster, more effective and more enthusiastic. (F1, 2016; D1, 2016; I1, 2016.)

*“Then if you think that now during my time - -. Our whole operational environment is changing to something very different than it has been. The future is much more insecure and in a way this startup kind of way of doing things is what we should learn.” (D1, 2016)*

Not only are the strategic exploiters using startup activities actively in their business development, but they have also recognized indirect and non-financial benefits. These identified benefits consist of benefits on brand and image, social responsibility and organizational atmosphere. Company I sees that their startup activity affects their employer image and brand very positively. According to I1 (2016), the effects on employer image are even more important than the effects to the company brand in order to drive successful business in their market. (F1, 2016; D1, 2016; I1, 2016.)

*“So we are forced to develop ourselves also from the perspective of the employer image, for the potential employees. And then you can’t just be old-fashioned and rusty, but you have to be able to offer your employees different options.” (I1, 2016).*

Startup activity is also regarded as part of social responsibility and good corporate citizenship. According to F1 (2016), Company F feels that acting as a platform for small growth companies is part of their responsibilities as a good corporate citizen. In addition, according to F1 (2016), Company F has recognized that the startup activity has significantly improved internal collaboration across business lines and functions.

*“Yes it is, it has hugely increased that interdisciplinary doing inside this house. So across different units, specialists now talk together and share their thoughts. In many big companies you operate too much in the siloes, like you have those certain areas of responsibilities. And then you according to them and there is no co-operation between the units. So surely that [startup activity] has already changed this.” (F1, 2016)*

How have the strategic exploiters become strategic exploiters of startup activity? The prerequisites for extending startup activity are trials, strong will and ambitions of top management, resource allocation in advance, practical operations models designed for startups, and the commitment of business lines. The strategic exploiters do not have identical startup activity backgrounds, which indicates that startup activity can be raised to a strategic level from many starting points. (F1, 2016; D1, 2016; I1, 2016.)

*“Yes. That’s like totally a key thing. So it’s one lesson too. If you start thinking something up, developing, trying something, which is tightly linked to the existing business, the ownership has to be quite strongly there in the business.” (F1, 2016)*

One of the benefits of active startup activity is a better coverage among startups, which in turn leads to more good quality encounters with startups:

*“We got within the program all in all somewhat 44 applications, when there was the search, a certain application period. And I see that it was encouraging, startups clearly became interested in us. It has then actually fed and spawned so that almost monthly there are several references from startups that ‘we have this kind of solution, can we come and present it or would you be interested in that’.” (F1, 2016)*

Although the strategic exploiters are in many ways advanced in their startup activities, they are still continuously looking for ways to improve their startup activity operations models and ways to overcome the recognized challenges. The challenges are experienced both in the own

organization and in startups. For instance, the companies have recognized and still struggle on how to customize the protocols and systems of corporations suitable for startups. (F1, 2016; D1, 2016; 11, 2016.)

*“Well perhaps it’s in a way the downside that as a large company we have of course certain protocols which we have to follow. And of course the continuity and stability are important for the existing business. There is then always a little reconciliation how this new solution is brought to the basic infrastructure, to the heavy-duty, how to be agile.” (F1, 2016)*

Company D has experienced difficulties in project planning regarding the startup activity. The organization has had to learn how to take small risks in terms of short pilots in order to estimate if the startup is useful for them or not. In addition, since the more extensive and more resourced startup activity is still recent, it has not yet reached the organizations of strategic exploiters thoroughly. Company D reports challenges of attracting people from across business lines to startup activity. The difficulties of startup activity concerning startups are especially the attitudes on financial questions. (F1, 2016; D1, 2016.)

*“The risk is very small. But when we are doing this startup thing and you don’t know for sure what you are going to get out from it. And that’s quite a difficult thing for an organization like this. To channel time to that kind of doing where you don’t know what you are going to get out of it. So in my mind, that’s one challenge.” (D1, 2016)*

Company I has experienced balancing the resources and rules between internal startups and the rest of the organization particularly challenging.

*“What we have been discussing a lot with these startup leaders, that in some cases it’s easier to recruit or partner with external parties than to get the know-how inside our organization. Even though we have 13 000 internal employees, which may sound weird, but this is just how it is. But on the other hand, it’s the freedom what we have given to these startups. So if it’s easier, then they cut corners, where it’s easier to develop their business. And then they balance it themselves that how much it’s reasonable to recruit and how much it’s reasonable to partner with other growth companies or something else. But that, finding the internal balance seems always to be such a real difficulty.” (I1, 2016)*

The strategic exploiters estimate the impact of startup activity on the current business as quite small in terms of financial matters but important in terms of growth initiatives and cultural change. The startup activity has already affected the organizations of strategic exploiters by

affecting the new strategy, helping to recognize the need for culture change, raising the spirit in the organization and helping in cross-organizational collaboration. (F1, 2016; D1, 2016; I1, 2016.)

*“If we think in numbers it’s still rather small.” (D1, 2016)*

*“The importance at the moment is surely this cultural change and then we get those growth initiatives from there.” (D1, 2016)*

*“So we extend our business and we extend in general this startup-like operations model comprehensively, like to drive forward our new businesses” (I1, 2016)*

Companies D, F and I all have plans of improving and extending their startup activity and they are continuously considering new forms of startup activity. There are plans that have already been put into practice and plans that are still unrealized. Company I has very recently launched a new long-term business incubation program.

*“So for instance, we now published the new strategy of [redacted] [the company]. And now for the first time we will have this [startup activity], also on the management group level. And I have the privilege to lead it now as the management group member. And we are starting a completely separate business, which is founded on running startups.” (I1, 2016)*

*“Another model is perhaps just that what you earlier were asking, that could we be part-owners in some kind of a venture capitalist-like role. So it’s one option for sure. That we don’t integrate those startups inside this house, or either operate with completely external startups, but this kind of venture capitalist role is something in between them. So we put money on the table and are part-owners and then get one part of that success. It’s perhaps that kind of model that we consider when we are proceeding. That does it become current.” (I1, 2016)*

According to F1 (2016), Company F has recognized the need and planned two-speed development, a development model which has its own channels for agile and quick projects with small partners and for large and long-term projects with established partners. According to D1, Company D may have more internal startups in the future. (F1, 2016; D1, 2016; I1, 2016.)

*“Well, we have not yet made it to the solutions, but we have recognized targets of development in the technology side. We would like to offer a kind of platform of agile development on top of the basic heavy-duty doing, so that we would have the opportunity of let’s say two-speed development.” (F1, 2016)*

*Table 10 Summary of the characteristics in category strategic exploiters*

<b>Attribute</b>	<b>Description</b>
<b>Forms of startup activities</b>	Collaboration, collaboration projects, partnerships, internal startups, internal entrepreneurship, acquisitions, programs.
<b>How systematic is the approach</b>	Specific systems and guidelines for startup activity.
<b>Time span</b>	An intent and actions for long-term continuity.
<b>Top management attitude</b>	Active top management support and attention, management group responsibilities, clear guidelines.
<b>Recognized benefits</b>	Business development, operations development, strategic capabilities, organizational atmosphere, employer brand, social responsibility, coverage among startups.
<b>Recognized challenges</b>	Inflexibility of internal processes, continuity of startup activities, motivating and engaging enough employees.
<b>Estimated impact on the current business</b>	Small in financials, but significant in growth initiatives and culture change.
<b>Future plans</b>	To extend, diversify and develop startup activities.
<b>View on startup activity</b>	A significant tool for strategy execution.

Strategic exploiters view their startups as a source of strategically important resources and as an important source of renewal and growth. The stance towards startup activity is positive, eager, expectant and trustful. This category is named strategic exploiters since Companies D, F and I consider the linkage of startup activity and strategy very natural and obvious. (F1, 2016; D1, 2016; I1, 2016.)



*“And working with startups will surely change the culture. These hungry teams from startups come and think a little differently and they come here to our networks. They do some things and so it will surely teach our gang and change our operational culture.”*  
(F1, 2016)

The summary of the characteristics in the category of strategic exploiters is presented in Table 10. When comparing to reports, KPMG (2014) found that startup collaboration was not yet central in the strategies of corporations. However, a year later, KPMG (2015) has found examples of strategic investments in startups and strategic partnerships. Also INSEAD (2016) reports about strategic investments in startups and about strategic third-party ecosystem, where startups participate. However, KPMG (2014; 2015) and INSEAD (2016) do not consider startups clearly in a strategic light. Nesta (2015) connects startup activities with innovation strategy, strategic investments, strategic expansion in new markets and strategic business partnerships.

## 5 DISCUSSION AND CONCLUSIONS

The purpose of this study was *to describe and analyze corporate entrepreneurship in the form of startup activity*. Furthermore, the study has explored *how* established companies engage in startup activities, *why or why not* established companies engage in startup activities, and *how extensively* established companies engage in startup activities. I have explored this purpose and questions through reviewing previous literature of corporate entrepreneurship and through a qualitative study based on semi-structured interviews of representatives of eleven established companies from varied industries.

In this chapter I discuss the main empirical and conceptual findings of the research. I particularly present findings that are supplementary or conflicting in the light of earlier theoretical discussions or challenge them. Furthermore, I present managerial implications as well as review and discuss the limitations of the study. Lastly, I present suggestions for further research on the topic.

### 5.1 Startup activities as corporate entrepreneurship engagement

The research objective of the study was *to describe and analyze corporate entrepreneurship in the form of startup activity*. In order to answer this, I have defined startup activity as all activity that established companies conduct in collaboration with startups, related to startups and as startups. I have collected my research materials according to this definition and interviewed company representatives who are involved in startup activity in their companies and are suitable interviewees. According to the review of previous theoretical discussion and the empirical analysis, startup activity can be seen as a sub-concept and one manifestation form of the theoretical main concept of corporate entrepreneurship. According to Covin and Kuratko (2010, 107), corporate entrepreneurship refers to entrepreneurial, renewal and innovation related activities and phenomena inside established organizations. Also the empirical analysis confirms this: startup activity refers to entrepreneurial, renewal and innovation related phenomena inside established companies.

I have thoroughly described and analyzed corporate entrepreneurship in the form of startup activity. Therefore, one theoretical contribution of the study was to map and document a

divergent manifestation of corporate entrepreneurship, as Dess et al. (2003) suggest is relevant for corporate entrepreneurship research. The analysis on startup activity also supports the view of heterogeneity and broadness of corporate entrepreneurship, which is described for example by Covin and Miles (1999) and Phan et al. (2009). Established companies engage in startup activities in very divergent ways, so according to this analysis, corporate entrepreneurship is heterogeneous and broad even inside its one manifestation form.

Furthermore, this study develops an understanding of startup activities as one entirety. The previous research by Kohler (2015) and Weiblen and Chesbrough (2015) has presented similar spectrums of startup engagement. However, these spectrums have focused only on certain forms of startup activities and how companies engage in these forms. Thus, my contribution is that both my theoretical framework and empirical analysis highlight the perspective of the established companies in a new way. I have explored, described and analyzed how they view their startup activities as one entirety and how they regard the role of their startup activity in their businesses.

There are also differences between startup activity and corporate entrepreneurship. The two forms of corporate entrepreneurship, corporate venturing and strategic entrepreneurship, are presented in the previous literature as very separate phenomena (Guth & Ginsberg, 1990; Morris et al., 2008). In the empirical analysis I did not find a similar noticeable division regarding startup activity. Some of the startup activities of the interviewed companies were intended to create new businesses and some renewal in the old business, which refers to the division of corporate venturing and corporate entrepreneurship. However, the representatives of the established companies did not talk about two different modes of startup activities, and comparison between these two forms did not arise. The research suggests that the different forms of startup activity are perceived to be more interrelated with each other than what the theory suggest to be the case in corporate entrepreneurship.

I have explored the phenomenon of startup activity through the following research questions: (1) *“How do established companies engage in startup activities?”*, (2) *“Why or why not do established companies engage in startup activities?”*, and (3) *“How extensively do established companies conduct startup activities?”*. I have answered the first research question by describing and analyzing the forms and time span of startup activity and the partner status of startups. My research suggests that established companies engage in startup activities in very

various ways, which is also demonstrated in earlier research (Kohler, 2016; Weiblen & Chesbrough, 2015). The forms and time span of startup activity engagement vary among the research subject, among the presented categories and also inside the companies depending on which kind of project is in question. However, external activities appear to be more common and popular than internal ones.

As the answer to the second research question, I have presented favorable and negative aspects towards startup activity according to what arose from the empirical materials. The five favorable aspects, (1) *keeping up with the changes of business environment*, (2) *developing the business*, (3) *developing the organization*, (4) *repute advantages*, and (5) *social responsibility*, represent reasons and purposes for engaging in startup activity. The six negative aspects, (1) *encountering and finding the startups*, (2) *risky partners*, (3) *financial matters*, (4) *the effect of industry*, (5) *cultural challenges*, and (6) *the impact of management guidelines*, represent challenges which established companies are facing when engaging in startup activities. In addition, the experiences and viewpoints of Company K, which is placed in the category of “*no startup activity*”, answer for their part to the question of why not to engage in startup activities. Neither suggestions for favorable nor negative aspects towards startup activity have been presented in previous literature. These findings are therefore a concrete theoretical suggestion of the themes that established companies interrelate to startups and startup activity.

The extent of the startup activities, the answer to the third research question, is described and analyzed through the categories of startup activity engagement. According to company-specific analysis, I suggest four categories to describe the extent of and approach to startup activity engagement: (1) *no startup activity*, (2) *opportunists*, (3) *special know-how exploiters*, and (4) *strategic exploiters*. The categorization also partly answers the first research question of how established companies engage in startup activities, since it describes and presents the company-bound approaches to startup activity engagement. This categorization is one of the most important contributions of the study, since previous literature has not suggested any categorizations on different perspectives established companies hold to startup activity engagement. Only models or forms of how to practically engage in startup activity are presented (Kohler, 2016; Weiblen & Chesbrough, 2015). These models do not describe the differences between established companies as startup activity engagers, as my categorization does.

### 5.1.1 Forms of engaging in startup activities

Here I compare and reflect *the theoretical framework of forms of engaging in corporate entrepreneurship* to my empirical findings regarding startup activities. Main notions of the comparison are illustrated in Figure 11. The aim has not been to test if the theoretical framework of corporate entrepreneurship is accurate on startup activity, but with the help of the framework interesting notions may be recognized from the empirical materials. The theoretical framework of the forms of corporate entrepreneurship suggests three levels of corporate entrepreneurship engagement. When it comes down to the empirical findings of startup activity, startup activity engagement appears to happen mostly on a practical and pragmatic level. The startup activities are mostly considered and discussed on the level of separate, single, concrete means and forms of co-operation.

Among the studied companies, many of the forms are tested for the first time or initiated only recently. The forms are employed mainly more by accident or opportunity than by design. Most of the companies lack orderliness of what they pursue from startup activity engagement and thus what startup activities they engage in. Most of the concrete means of the theoretical framework appeared in my empirical research. However, joint ventures and spin-offs did not appear almost at all in my empirical materials, even though they are well acknowledged in the literature ().

The level of structured models could be recognized, but in the studied companies, the startup activities are mostly not organized through separate concrete means. However, structured models seem to be appearing: in the analysis, I found examples of first startup program trials and a very recent establishment of a corporate incubator.

Compared to the theoretical framework of the study, I found that only first signs of corporate incubation are appearing, and this was especially among the strategic exploiters. The strategic exploiters also indicate characteristics of entrepreneurial strategies, but since I did not study the strategies of established companies, I have not reviewed and explored them separately and cannot classify them. Corporate venturing split the interviewed companies. Many of the companies had made investments, but still as the starting point for startup activity engagement, companies mainly appeared to prefer other forms.

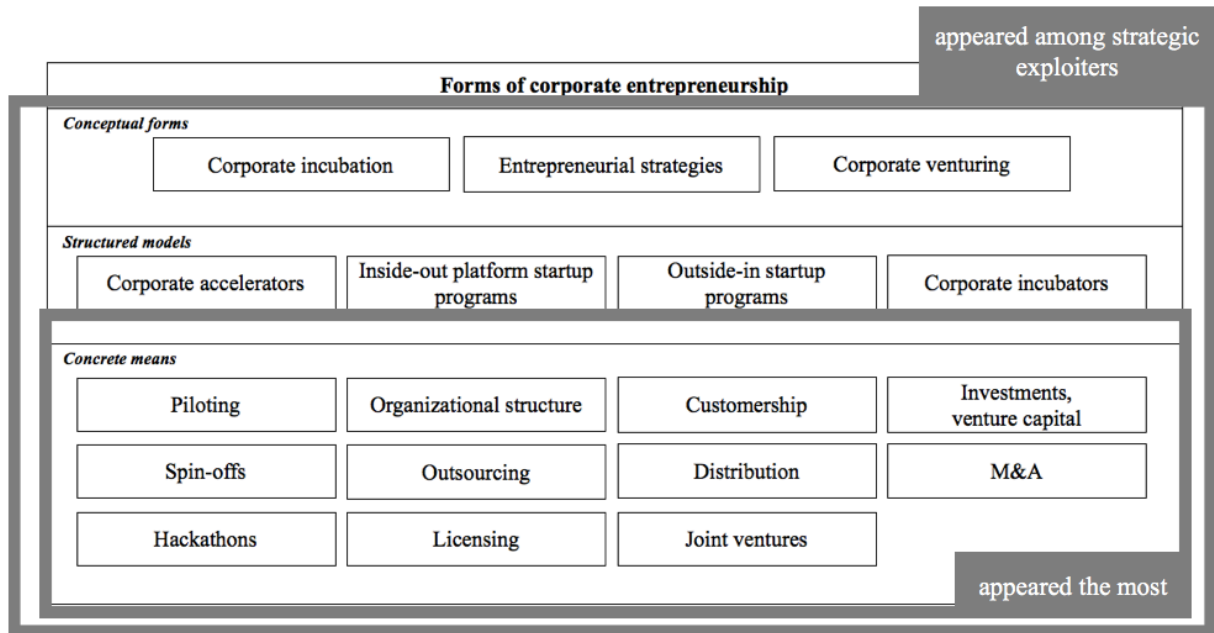


Figure 11 The theoretical framework of forms of corporate entrepreneurship compared to the empirical analysis of startup activity

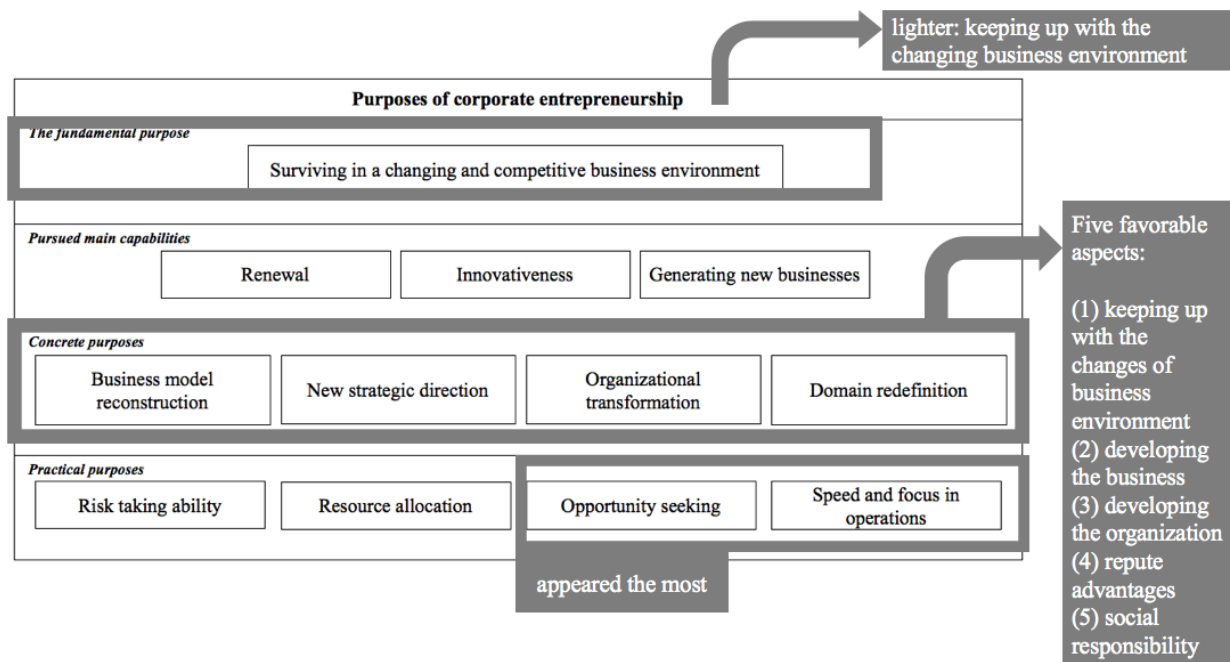
In sum, even if the conceptual forms or characteristics appear among the research subject, the studied established companies do not mostly consider their startup activities to be on the level of conceptual forms. The Finnish companies engaged in startup activities mostly associate their activity to practical matters. They conceive different features of types of corporate entrepreneurship, but they do not plan or perceive their startup activities through the types in the way the theory defines. Startup activity engagement happens and is discussed mostly on the level of concrete means, apart from strategic exploiters who engage and discuss startup activity on all of the levels that the theoretical framework of corporate entrepreneurship presents.

### 5.1.2 Purposes of engaging in startup activities

Here I compare and reflect *the theoretical framework of purposes of engaging in corporate entrepreneurship* to the empirical findings regarding startup activities. Main notions of the comparison are illustrated in Figure 12. I Since the startup activity is mostly not planned and designed in advance, but engaged in when facing opportunities, the studied Finnish companies do not express the purposes of startup activity in the way that theory suggests. The level is more concrete. Instead, the purposes of the theory are experienced as benefits of

startup activity engagement, not in advance defined purposes. The study suggests that the five favorable aspects to startup activity are also the purposes of startup activity.

Compared to the theoretical framework of this study, the studied Finnish established companies do not regard the fundamental purpose of startup activities, in other words surviving in a changing and competitive business environment, as strongly as the theory suggests. According to the empirical findings, companies want to keep up with the changing business environment, but they often do not perceive it as severe as surviving. The pursued main capabilities of my theoretical framework, renewal, innovativeness and generating new businesses, are recognized in the empirical study. However, the level is mostly very practical: new ideas, new thoughts and speed to operations are desired.



*Figure 12 Theoretical framework of purposes of corporate entrepreneurship compared to the empirical analysis of startup activity*

On the level of concrete purposes, startup activities may contribute to a new strategic direction and organizational transformation. But according to the study, it is not the purpose of startup activities. Domain redefinition appears as one goal of strategic exploiters. Business model reconstruction may happen through startup activities, but it is mostly not pursued. The most evident of the practical purposes that the theory suggest is speed and focus on operations. This appears in the empirical findings as developing the organization. Opportunity

seeking is also employed, since most of the startup activity engagement is opportunity seeking in new ways that established companies have not tried before.

### 5.1.3 About the categorization

As one of the main findings of this research, I have presented a suggestion of how established companies view their startup activities. The categorization is four-part: *no startup activity*, *opportunists*, *special know-how exploiters*, and *strategic exploiters*. It is noteworthy to remember that this categorization is done on the ground of the empirical materials of the study and thus the companies are classified in relation to the startup activities of each other. For example, the strategic exploiters might perhaps not rank as advanced as this categorization suggests, if they would be compared against international examples of corporations pursuing very intense and extensive startup activity.

The study did not find examples on long-term extensive and intensive startup activity of Finnish established companies. Some companies had engaged in startup activities for a very long time, even twenty years, and some companies currently engaged very intensively in startup activity. The long-term results of intensive startup activity are therefore still expected. The same applies to the strategic level of startup activities: startup activity has been in the strategic level only since recent years, and therefore the long-term results of strategic startup activity are still expected.

In addition, although the categories also represent the extent of the startup activity engagement, the study does not suggest that the startup activity would be an evolutionary process proceeding according to the defined categories. Based on the study, it is impossible to say if the increasing extent of startup activity among the categories means that the categories would be evolutionary. It is also impossible to analyze if the companies proceed in the categories or in which categories the companies would have belonged earlier. The companies in the discovered categories have begun their startup activity engagement in very different ways and forms. Therefore, the analysis neither suggests any model of how the startup activity engagement begins or how the companies have become representatives of the certain categories.



## 5.2 Managerial implications

In this study I have mapped and described ways and forms of how established companies can engage in startup activities. The mapping and description may help the managers to understand the variety of corporate-startup engagement forms and to choose the most suitable form of startup activity for their company. In addition, the purposes and favorable aspects of startup activity engagement may help the managers to perceive and plan what could be achieved through startup activity engagement.

The study suggests that established companies experience encountering and finding suitable startups as a challenge. Finding potential startups to collaborate with is crucial for most forms of startup activity engagement, especially for the external and collaborative forms. In order to facilitate the encountering and finding startups, a practical managerial implication could be that established companies could express their perception to startup activity in public: what kind of activity they are currently engaging in and what their plans for the future are. That way established companies could perhaps attract more startups which already know the engagement models the established company is interested in. As a result, the presumptions of both parties would be closer to each other. According to the study, the approaches to startup activity engagement vary greatly, so startups cannot know the views of the established companies if they do not express them. Established companies will benefit because they get more suitable references from startups. Other ways for encountering and finding startups are screening markets or technologies which are important for the strategic direction of the company, attending startup events, and own networks.

If the established company wants to proceed in startup activity, the study suggests that not only the support but also the strong will and aims of the top management is vital. The importance of top management is also supported by both previous theoretical and empirical evidence. Furthermore, the study suggests that extending startup activity engagement is possible mainly through achieving success in current engagement and hence gaining justification for extended and diversified startup activity. The time span of the demanded success or the nature of the success was not defined.

However, succeeding in startup activities and gaining varied benefits of it is not unambiguous. For instance, if the startups are considered to be partners among others, it is conceivable that not all the benefits of startup collaboration are experienced. The study suggests that strategic exploiters make the most of startup activity, that they recognize the most benefits and that their engagement is the most extensive and most designed. It is therefore possible that companies engaging only narrowly in startup activities may not experience the same benefits. Achieving and experiencing benefits of startup activity engagement might also be a question of expectations and ambitions the managers of established companies set for startup activity engagement. If the expectations and ambitions are not set appropriately high, the resources allocated to startup activity may be low and thus also the experienced positive outcomes of startup activity may be restricted.

The study suggests that the phenomenon of startup activities of established companies is neither industry nor technology specific. According to the findings, companies from varying industries are able to benefit from startup activity. The research suggests that startups may offer established companies other advantages than only technologies and technological innovations: such as development of *modus operandi* or service innovations. Furthermore, according to the study, established companies from any industry may exploit technology startups in their own targets of application. Corporate-startup engagement is previously studied academically only in the context of technology industries (Kohler, 2016; Weiblen & Chesbrough, 2015). Hence, this research suggests academic evidence that corporate entrepreneurship may be engaged through startup activities also in other industries.

### **5.3 Limitations**

I have conducted this study only from the perspective of established companies. Because of this the perspective of startups or other relevant parties, such as incubators or investors, is not studied. Therefore, this study does not explore the relationship of the collaborating organizations but the perspective of one part of the collaborative activity. Neither does the study represent any objective or bilateral descriptions of the topics, since the objective is to explain solely the perspective of established companies. My descriptions of the phenomenon are therefore unilateral and startups and other parties may have completely different

perspectives on the matters. Thus, this master's thesis does not extrapolate any of its suggestions to startups or any other parties of startup activities.

The limitations regarding the empirical materials include using empirical consultative reports. The methodology, theoretical thinking and main purposes behind these reports is partly unknown. Thus, I have analyzed these materials critically and employed them only as complementary and comparative materials, not as the basis of my analysis.

## **5.4 Suggestions for further research**

In this study I have presented only the perspective of established companies. Since the perspective of startups and third parties which may be involved in startup activity engagement is lacking, a study applying the suggested framework of startup activities could be conducted from the perspective of startups. From the perspective of established companies, a study following the development of startup activity engagement would generate novel company-specific information on how startup activity engagement evolves. This could be done by following all of the companies or only one category, such as special know-how exploiters.

Even though the research materials are fairly diverse and extensive, they do not allow generalization of the findings. The results only apply to the companies in question. Thus, I suggest further research with the same research frame, but with more extensive materials, for example international ones. In the same way, the research frame could be separately applied to particular industries in order to specifically analyze the possible differences between industries, for example if the maturity of startup activity engagement varies among industries.

This qualitative research has been descriptive and mapping by nature. Quantitative research on the engagement in startup activities, the financial extent of startup activity and the profits of startup activity engagement would be useful in order to explore the same questions in terms of financial matters. Lastly, this research has explored the interface of corporate entrepreneurship and startup activity engagement. Since this interface has been in focus of only few corporate entrepreneurship studies, it could be studied further in order to better understand the timely empirical manifestation form of corporation entrepreneurship.

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## APPENDIXES

### Appendix 1: Translated interview guide

#### 0 Practicalities

Research subject. Definitions: *startup*, *startup activity*.

The topics of the interview.

Allowance for sharing the interview data in terms of research collaboration.

Allowance for recording.

The preference of how to be referred by industry.

#### 1 Background information

Could you firstly tell about your position, role and responsibilities?

#### 2 The startup activities of the company \_\_\_\_\_

What and what kind of startup activities does the company \_\_\_\_\_ conduct?

*For how long have you been conducting?*

*How are the activities conducted in practice?*

*What has been easy? Difficult? / Successful? Unsuccessful?*

*What is the time span of the activities?*

*What has been the reason for moving on from the trial stage?*

*Because of which factors has moving on been possible?*

#### 3 Why startup activities?

Why do you conduct startup activity in the first place?

*Why startup activity and not some other solution? Why is it better?*

*What are the advantages? And the resistance?*

*Has it been the right choice?*

#### 4 Importance for business

How do you estimate the importance of your startup activities on your entire current business?

*And in the future?*

*How has the startup activity influenced your organization?*

*How does the startup activity show in the agenda of top management?*

#### 5 Additional notions

Do you have anything else on your mind regarding this topic?